With Our Readers

Sirs:

The letter signed Y. L. R. in your issue of September 28 certainly hits the nail on the head in saying that the real issue is not whether we should change the Federal Constitution but whether "we should give the New Deal a blank check." Only recently the voters of Pennsylvania turned down by a big majority a proposal to overhaul the state constitution on what amounted to a blank check basis. I believe any similar proposal from Mr. Roosevelt would be emphatically rejected by the country as a whole. Of course, all the President has done is some very vague talking, as usual. It is a 100-to-1 bet that three-quarters of the states are not ready to go along on a proposition to "modernize" the Constitution, which means writing a new one from top to bottom in a constitutional convention. The only other way to change it—and the way we have always followed up to now—is by specific amendments for specific purposes, which also must be approved by three-quarters of the states. This brings us to the real point. We can't vote on vague hints. Any constitutional amendment must be in black and white. If Roosevelt has in mind any needed amendment, let him state it clearly and the purpose behind it. I don't believe he would care to try it. All this talk only came up after the Supreme Court killed the N R A. Instead of grouching about it, the Administration ought to be thankful that it happened, for the N R A was a flop. This is proved by the recovery in business that has come about now without N R A.—J. B., Philadelphia, Pa.

Sirs:

For a period of about three years I have been a consistent reader of your excellent magazine, and for most part agree with the very good editorials and articles. In your recent issue on Recovery Without Interference, by Mr. Weldon there is a point of difference, at least on the point of wages before and after the N R A.

Undoubtedly the N R A tried to cover too much territory and was full of faults and weaknesses, but at least there is an attempt to hold up real wages and limit hours in order to spread employment.

Certainly it would seem that an adjustable hourly and wage basis could be reached that would be fair to all If an individual or a business were unable to meet that wage, then give some one else a chance that can.

For myself, I have never belonged to a union and will never belong to one except as a last resort. I am employed by a power company as a power house operator and we have no union. Our wages, while not all that we wish, are fair. We have been cut from 48 to 40 hours a week but our wages were raised to nearly the old rate, in some cases considerably more. Union organizers would have a hard time here.

Other than adjustment of wages I will agree with you that we should have less politics in business, and more business in politics. In fact I would say less politics all around and let the politicians other than a select few work for a living for a change.—D. D. D., Big Creek, Calif.

Sirs:

I suppose there is a good purpose behind the rules of the S E C concerning solicitation of proxies, but if I may judge from the general appearance of the very few stockholders' meetings that I have attended it doesn't seem to make much difference whether proxies are solicited or how. Stockholders—and I happen to be a small one in four companies—grouch about the management when earnings or the price of the stock go down. If things are going right all the average stockholder does is watch the daily price of the stock, perhaps glance at the earnings reports sent to him and maybe pat himself on the back when he now and then banks a dividend check. Otherwise, he is no more actively interested in the affairs of his company than he is in the daily doings of his third cousin, Egbert, out in Indiana, whom he hasn't seen in five years. In about one case out of ten he will sign almost any proxy he finds in the morning mail. In nine cases out of ten he will toss any proxy in the waste basket and get on with the sports pages of the morning paper, figuring that he doesn't know anything anyway about the company's affairs and that, besides, his vote is so small it won't make any difference anyway. And thus it is that at the annual meeting there will be present the president, the secretary—with a pile of proxies before him—a couple of directors maybe and about seven stockholders. These seven will gratefully accept the company's cigars, bought with their money, and two of them will ask the president some more or less foolish questions just to show they are interested. About 99 per cent of the performance will be legal formalities above their heads. There will be no real discussion of the company's essential problems and what it proposes to do about them by anyone concerned. —R. J. L., Buffalo, N. Y.

Sirs:

It burns me up to read that ten officers of the Socony-Vacuum draw down a total of $678,285 in pay a year while stockholders get 30 cents a share in dividends. Apparently it is a rare corporation president that gets less than $50,000 a year, no matter what his line of business is, how good or bad are the earnings or how big the size of the company. Some, of course, get $75,000 or $100,000 or more, not to mention bonuses which, by the way, never originate on the initiative of satisfied stockholders. The bonus is always the bright idea of the management itself, duly approved by the directors. Few men are worth what the majority of these fellows get.—E. R. W., Wheeling, W. Va.

We know of no arbitrary rule by which the fairness of corporate salaries can be measured. In the largest corporations executive salaries are almost invariably extremely modest when considered in relation to the capital assets for which the management is responsible. In most such instances, total executive remuneration amounts to no more than a few cents per share of outstanding stock. Moreover, a company may lose money under the best of management, due to circumstances beyond its control. Most railroads, for example, are earning nothing for their stockholders, but if such a system is not to lose still more money or even cease to function it must have good management and this can be had only at the going price. Otherwise good executives would gravitate to other jobs.—Ed.

Member of Audit Bureau of Circulations

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WITH THE EDITORS

"Estimated Normal"

MEASURING business activity and comparing it with some estimated normal level of the past is an art and not a science. At best it is a thing of rough approximation and not exactitude. And so it is that we must remind ourselves, if we would maintain intelligent perspective, that business indexes and indexes of the movement of any industry are but convenient tools, to be interpreted with judgment.

What is "normal"? We think of it as a fixed or static thing, against which to make comparisons. Yet we live in a country which is still growing in population. Science, invention and technical development are constantly at work. Competition steadily and relentlessly shifts the relative positions of industries. Products change. Public taste changes.

Such is progress; and when there is any such thing as an actual "normal" the capitalistic system will be in a bad way. In statistical comparisons the most popular year singled out as "normal" is 1926. The next most popular "normal" period is the years 1923-1925. At some future time these years undoubtedly will seem no more like "normal" to us than 1903 or 1898-99 now seem like "normal."

How good a business indicator are railroad car loadings when competing forms of transport and vanished foreign trade have permanently cut into former traffic? If one goes by this index business is rotten. On the other hand, the index of electric power production is back to "normal." If one relies on this as a business indicator, then business looks simply swell—but what actually has happened is that sales of household appliances in the past year or two, and especially of electric refrigerators, have created a new "normal" for us to estimate when dealing with this index.

What is "normal" in bituminous coal if fuel oil undermines its market? What is "normal" in lumber or brick if we start to build houses of metals or synthetic compounds? What is "normal" in the radio, aviation and rayon industries—all at new highs of activity during the past year? What is "normal" in the dynamic chemical industry?

Probably there was once an "estimated normal" for traffic on the Erie canal, for the gas lighting business, for buggies and buckboards, for hoop skirts and bustles—but it did not last long and neither the statistician's "adjustment for seasonal variation" nor "allowance for long-term trend" foretold its doom. Only judgment could do that.

So what? By all means make use of the indexes—but cross your fingers when you run across our old friend "estimated normal" and don't bank too heavily on him. There is a better than even chance he will let you down sooner or later.

In The Next Issue

Putting Business Recovery to the Test

What is the basis of current recovery? Can the present rate of improvement be continued or must recent gains be consolidated?

What of Politics?—War?—Foreign Trade?

By JOHN D. C. WELDON

Investment and Speculative Possibilities in Railroads

By EDWIN A. BARNES

A New Outlook for Textiles

By WARD GATES

Potential War Babies in War or War Preparation—The Armament Race Is On

Long Distance saves legwork and lobby-sitting for salesmen

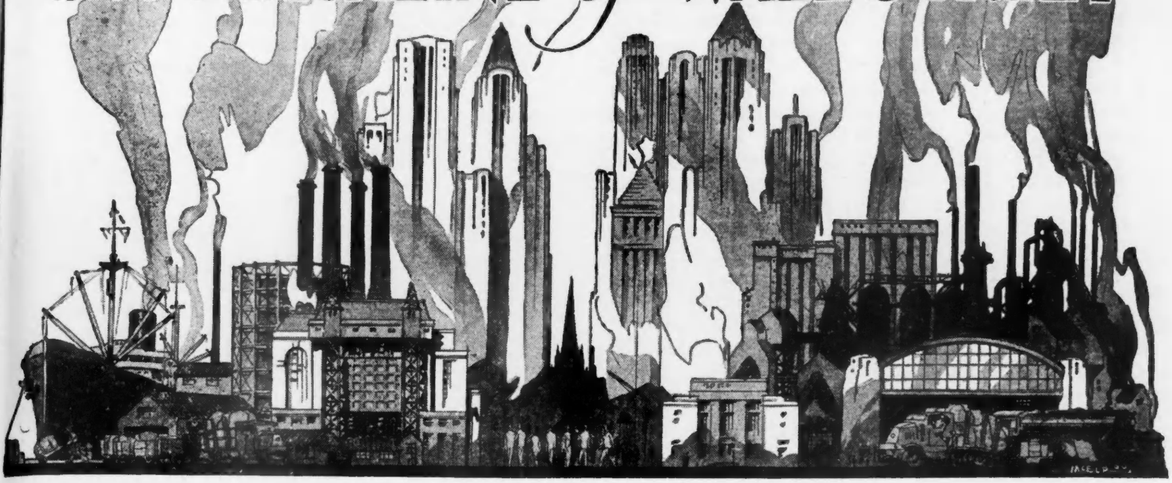
SEVERAL YEARS AGO, Chicago Pneumatic Tool Company found that entirely too much of their salesmen's time was wasted waiting for interviews. "How," asked officials, "can we cut down this waste, cover more territory, find time for *new* prospects?" All three questions were answered by a systematic telephone plan prepared with the help of the telephone company.

Now, descriptive literature, personal letters, and samples are sent out before sales trips. As he travels, each salesman telephones ahead from selected key towns to arrange appointments. The telephone does *not* replace the personal demonstrations that this company's products demand. But it *does* reduce waiting time to a minimum, avoid useless visits, and provide a courteous contact that customers appreciate. And it has increased coverage from 4 to 11 towns per salesman per week!

Similarly, company salesmen follow up prospect leads with telephone calls from strategic points along their routes. Every inquiry is answered promptly and personally. In this way, productive leads are sorted out from the worthless ones, and appointments made without waste motion. Says the sales manager, "When our telephone bills went *up*, selling costs came *down*. It was one of the best investments we ever made."

Long Distance is applicable to the individual needs of virtually every business. Your local telephone company will be glad to help you discover how this service can best be used by *your* business — in production, traffic, credit, accounting, sales. Just call the Business Office.

The MAGAZINE of WALL STREET



E. Kenneth Burger
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Associate Editors

The Trend of Events

BUDGET OUTLOOK

THE innovation of a revised Federal budget, as made public recently, is highly desirable to correct over-estimates or under-estimates of income and outgo made in the regular budget. Thus, the deficit for the current fiscal year is now estimated as $1,246,526,110 less than the total projected last January. Naturally, this is pleasing—though somewhat as one is pleased to find that the pain of having a tooth drilled is not quite as bad as had been anticipated.

It has been charged by some cynics that Mr. Roosevelt set his original budget estimates high in order to gain credit for not spending as much money as he might have. We would not be so uncharitable. The fact is that the New Dealers have simply found it to be a physical impossibility to spend billions as fast as they had intended. Thus, a reduction of $768,081,609 in estimated expenditures for the current fiscal year accounts for the greater part of the net reduction. The estimate of revenues has been raised by $478,444,501.

Unfortunately, present budget estimates will go by the board in the event the Supreme Court nullifies the A A A processing taxes, for the President plainly states his intention of continuing these payments—under other taxation, if necessary. Moreover the political pressure next January for a $2,000,000,000 soldiers' bonus will be tremendous. This could blow the budget sky high.

These uncertainties force one to take with a grain of salt the President's assurance that no new taxes will be necessary, since present tax rates plus business recovery will solve the fiscal problem. Also one can not forget that the "social security" taxes—already on the statute books and thus not new—will impose on business an enormous burden over the next several years.

VAN SWERINGEN EMPIRE

ABOUT the very name "Van Sweringen" there is a nostalgic flavor, like a chapter of life long ago lived. It is a name little heard in recent years, but one to conjure with in great days of old when the two brothers, needing a railroad to serve a real estate development outside of Cleveland, took on that then "two streaks of rust," the "Nickel Plate"—and went on to ultimate control of the Chesapeake & Ohio, Erie, Pere Marquette, Wheeling & Lake Erie, Chicago & Eastern Illinois, and Missouri Pacific.

Whether new beginning or anti-climax, apparent control of this so-called $3,000,000,000 rail empire was regained a few days ago by agents for the Van Sweringens when they bought at public auction for $3,121,000 collateral pledged with bankers—led by the famed house of Morgan—against a defaulted $48,000,000 loan.

Here we have the very epitome of the much criticized holding company device wherein a block of Allegheny Corp. common, quoted in the market at

$1.50 per share, holds voting control over these far-flung railroads in which, from their beginnings to date, several billions of actual dollars have been invested. What moral is one to draw? We do not know. The Van Sweringen brothers are neither rascals nor stock jobbers. They are first rate railroad managers, given to hiring first rate executives for their roads and further given to pouring money lavishly not into their own pockets but into the physical upbuilding of those roads.

In short, Van Sweringen management has never touched a railroad but what it made it a better railroad. Its only crime was over-ambition, in which it was far from alone. Had the worst depression in our history not happened along, public opinion would have rated these two men with Harriman, Hill and the other railroad giants. Perhaps the pyramided holding company is all wrong and a thing of the devil. Nevertheless, we wish the Van Sweringens luck.

THE HAMMER AND THE SAW

THE President of the American Rolling Mill Co. predicts that recovery in construction will directly absorb 5,000,000 individuals now on public relief and indirectly absorb 3,000,000 others. We hope so. Certainly a promising start has been made in the revival of building activity during the past year. The fact is that an enormous accumulated demand has been built up—the same thing that has galvanized the motor and machine tool industries into virtually normal activity. True, the analogy is faulty—since houses, compared with automobiles, remain relatively expensive. But what one can not measure is the possible consequences of the present pronounced trend toward radical improvement in residential design, durability and comfort. If there is to be an eventual housing boom, it will rest on a broad technological advance, plus accumulated demand.

Meanwhile, the preliminary requirements have been substantially met, especially as regards the essential factor of mortgage money. In a nutshell, the potential builder no longer has to comb the highways and byways of finance for a few costly crumbs of mortgage credit. In many localities it is now being shoved at him through numerous advertisements in local newspapers, by both individuals and institutions.

Even now the cheerful sound of the hammer and the saw can again be heard here and there throughout the land. In time—probably within the next two or three years—it very likely will swell to a most pleasing symphony of recovery.

A GOOD START

CHAIRMAN LANDIS of the Securities and Exchange Commission keynotes the Commission's basic policy in regulating the public utility industry in the following words:

"Without vindictiveness, with an open mind, holding fast to fundamental principles of rightness and conduct, let us reach for a business-like solution of the common principles before us, in order to further this industry in its dynamic and expanding life, to make real the vision of public service that should be its being, and to vindicate the hopes and confidence of the millions who contribute to its growth."

Well begun is half done, says the old maxim. In the securities markets the S E C has been without vindictiveness, its temperate attitude winning it merited esteem. We have no doubt Mr. Landis will steer the same course with the utilities.

PLENTY OF MONEY, BUT IT'S NOT BEING USED

TWO factors make business and prices; the first, purchasing power and the second, the desire to use that purchasing power. Obviously, it matters not at all how much purchasing power there might be, if the desire to buy be non-existent there is no business accomplished. Today, the country's purchasing power as measured by the net demand deposits in the banks is at a record high, not far from 16 billion dollars,—much higher than in 1928 or 1929 when the average was about 13½ billion dollars. On the other hand, the country's desire to buy in relation to its capacity as measured by the number of times these net demand deposits are turned over is at a record low—lower even than just before and after the bank holiday in the spring of 1933. Thus, it becomes apparent that the government-sponsored increase in deposits, is being largely nullified by the refusal of the people to use them as freely as they used their deposits in the past. But what would happen were the people of the United States suddenly to take it into their heads to turn over their present deposits as rapidly as they were turned over during the late boom? It would mean feverish business activity, soaring price levels, and the extreme likelihood of speculative excess somewhere. This speculation might be in almost anything—Florida land, common stocks, tulips. Nor is it possible to be thoroughly convinced by the assurances of our politicians that such speculation could be controlled. True, there are controls; but they are controls over the quantity of purchasing power and only indirectly—very indirectly—controls over turnover. Whether turnover is to be fast or slow depends upon the psychology of masses of people. If they decide to spend their money today instead of next week, or merely to spend it instead of letting it lie idle in some bank, it is difficult to see how the Government can stop them. And if the Government could not stop them . . . . well, it would be the inflation about which so much has been said and written over the past few years, but which is now being forgotten. It would be well to remember that the potentialities are there as strong as ever.

THE MARKET PROSPECT

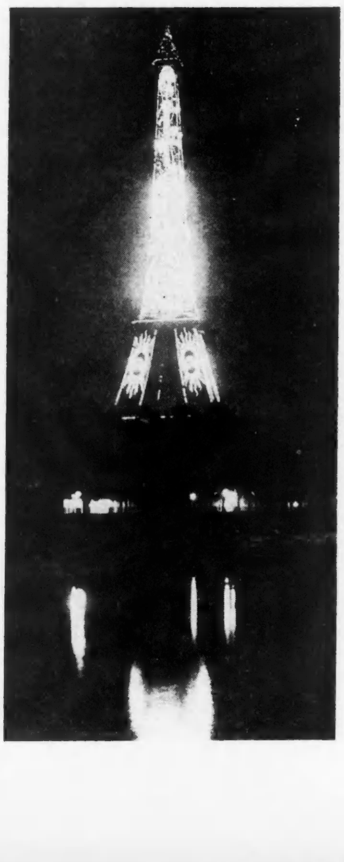
OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 628. The counsel embodied in this feature should be considered in connection with all investment suggestions, elsewhere in this issue. Monday, October 7, 1935.

As I See It — By Charles Benedict

Civilization at a Tortoise Pace

HUMAN beings are not yet sufficiently civilized for the successful operation of the League of Nations. In the Italian-Ethiopian crisis the League had a remarkable opportunity to prove to the world that a group of nations would stand together unselfishly in the cause of peace. It is now apparent that the League, in itself, is an empty thing—that no nation has confidence in the other and that the only way peace can be maintained is through the old order of mutual agreements and the establishment of a balance of power.

In the lust for trade and the desire for territorial expansion, nothing short of fear will hold the nations in check. Universal treaties are as ineffective as the League, and as easily nullified. The Kellogg peace treaty, to which a majority of the nations of the world were signatories, has been brushed aside, while the Treaty of Versailles, concluding the "war to end wars" has in reality provided only a basis of contention since its ratification. Not only was it responsible for much of the trouble, territorial arguments and threats of war that have emanated from Germany but it is at the root of the present conflict.



Italy received next to nothing in the negotiations at Versailles and her growing desire for private sources of raw materials went unsatisfied—hence her determination to annex a portion, if not all, of Ethiopia. Were it not for the fact that such a conquest distinctly jeopardizes Great Britain's colonial interests and carries with it the fear of a widespread native uprising, Italy might have preceded without interference. Certainly she need fear no French interference; for despite all surface signs to the contrary, the French sympathies are distinctly with the Italians. France and Italy are linked, not only by their common Latin blood but by their mutual fear of any German aggression.

Hence France endeavors to straddle the question of her international obligations. There is much delay and parley as she counters Britain's proposal that she join with her in the event of naval attack in the Mediterranean with the demand for a guarantee of Britain's aid if French territory is invaded. Likewise, the semblance of French compliance with the League in applying even the lightest form of sanctions involves the maximum of delay in the hope that Mussolini may successfully attain his Ethiopian objective meanwhile.

Such tactics, of course, put Downing Street in a tight place. At present the British navy constitutes the only tangible force for the League's arguments. England cannot secure help without binding herself to participation in any subsequent European conflict. On the other hand she dare not withdraw, for has not Il Duce been quoted as referring to Ethiopia as his "first objective." She might well conclude that Egypt would be his second and making the Mediterranean an Italian sea, his third.

France negotiates for security. England prepares to fight for the integrity of her empire.

Meanwhile communistic forces in England, France and elsewhere work for the upholding of the League and the defeat of Mussolini and Fascism. That is why Russia is so staunchly for the League and why French negotiations with Russia have succeeded in alienating the Poles away from France and toward Germany.

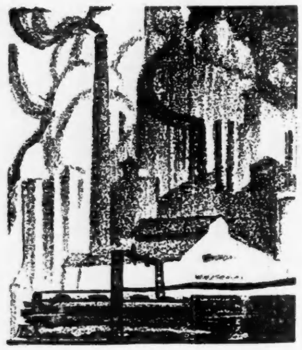
The world situation is fraught with grave dangers of which the Italo-Ethiopian warfare is no more than a spark that exists in comparison with a conflagration that might be. National self-interest is rampant. Communism rears its ugly head with the

(Please turn to page 675)

What's Ahead for the Market?

By A. T. Miller

FOR the second time within a fortnight the ominous European war clouds have sent the stock market scurrying to cover. In a single session of reaction, touched off by the combination of a bellicose broadcast by Mussolini and the beginning of hostilities in Ethiopia, the market has suffered the sharpest set-back in more than a year.



At this writing the industrial group has sagged fractionally under the lowest point reached in the concentrated "war scare" reaction of September 19 and 20. The comparable late September resistance level for rails and utilities, however, has been broken by a decisive margin, especially so in the case of the rails.

While there is no doubt whatever that the prevalent foreign uncertainties have been the dominant influence in recent market weakness, it would be a mistake to accept this as the whole story. For some six weeks prior to the present reaction, despite firmness in a considerable list of specialties, the majority of the market leaders which so importantly color speculative sentiment had found the going increasingly laborious and had derived no help from the utility and rail sections.

In that period, to cite a few illuminating examples, the top reached by United States Steel common on all rallies ranged from 46¼ to 48¾; that of American Radiator—despite evidence of the building recovery—ranged from 17½ to 18¾; Bethlehem Steel from 39 to 41½; General Electric from 32 to 35; General Motors from 43¾ to 47; Radio from 7⅛ to 8; Sears, Roebuck from 58 to 61⅜ and United Aircraft from 19⅛ to 20¼.

Rails Disappoint

Against the sluggishness of a growing number of prominent issues, relatively favorable action by Chrysler, Westinghouse and a variety of specialties could not be expected to maintain general enthusiasm. Speculative confidence was further weakened by the dispiriting performance of a number of rails, notably New York Central, for reasons wholly domestic. Capping these difficulties, came a 5-point break in the once favored industrial, United Fruit.

Thus it was in a technically vulnerable setting that the present war scare injected itself. If there is any reason for surprise—the certainty of fighting in Ethiopia having been evident for weeks—it is that the majority of industrial stocks have shown as much resistance in this reaction as they have.

As for the immediate movement, it has the earmarks of another temporary selling climax similar to that of September 19-20, which was followed by nearly ten days of irregular rally, led by favored industrials. Thus, as this article is written, the technical odds favor another trading rally, but probably of no greater scope or significance than the last one.

So far as the underlying movement of industrials is concerned, there is no conclusive technical evidence as yet of a significant change of trend. Their maximum reaction for the September high of the Dow-Jones average to date has been around 5 per cent and of the total advance in this average from the low of last March only some 18 per cent has been cancelled. Even a further substantial penetration of recent lows during the next few weeks would not supply positive technical indication that the back of the long advance since last March has been broken.

Nevertheless, on the opposite side of the picture, we do not expect in coming weeks to see the general run of stocks advance convincingly above the best prices of September, for reasons which we will detail below. The probability of significant advance being limited, therefore, and the scope of possible further reaction indeterminate, we do not favor intermediate trading commitments or new investment purchases at present.

Reasons for Caution

The technical evidence on rails and utilities is definitely unfavorable, the rails as a group having declined approximately 13 per cent from the best prices of September and having cancelled 50 per cent of the total recovery from the low point of last March, while utilities made their high in mid-August, have reacted 14 per cent from the top and cancelled 28 per cent of the entire preceding recovery.

The external reasons that govern our side-lines market attitude are both foreign and domestic. In the first place, the probable repercussions of the Italian-Ethiopian conflict are utterly beyond forecast. At best, we reason, a favorable termination of the present crisis can not logically be expected for at least a period of weeks, if not months. A confinement of war solely to Ethiopian territory, followed by a "face-saving" victory for the Italians on terms not too difficult for Great Britain to accept would be regarded by us as a favorable termination.

We repeat that even this relatively hopeful outcome will probably require weeks for consummation, so that meanwhile, for an indefinite period, the stock market will have to contend with continuing war

¶ *From Recent Lows a Trading Rally of Moderate Proportions Is in Order. With European War Uncertainties Continuing, New Intermediate Trading and Investment Purchases Are Not Advised at a Market Level Which Liberally Discounts the Business Prospect*

uncertainty. It would be rash to assume that against this uncertainty confident renewal of the major advance of recent months can be undertaken.

Strong as is the British desire to hold together the peace machinery of the League of Nations, no realist can suppose for a moment that this is the sole reason for the extraordinary concentration of British warships in the Mediterranean and the waters adjacent to Egypt and the Suez Canal. Obviously, Britain gives thought to Mussolini's developing "Napoleonic Complex" and must bend every effort to keep it in bounds if her own Empire is to be preserved. France, torn with the problem of holding both Italy and Britain as allies, must inevitably side with the stronger if she can not work out a compromise that will "save face" for both and if a final show-down comes.

If the Worst Happens

In short, the lid on the age-old European powder box is once more lifted and it is on the lap of the gods whether some nation or some "incident" will light the fatal match in coming weeks or months. If the worst happens, we would not care to be in a speculative position when it happens—no matter how much European gold flees here, no matter how moderate brokers' loans may be, no matter how favorable the current trend of domestic business might be.

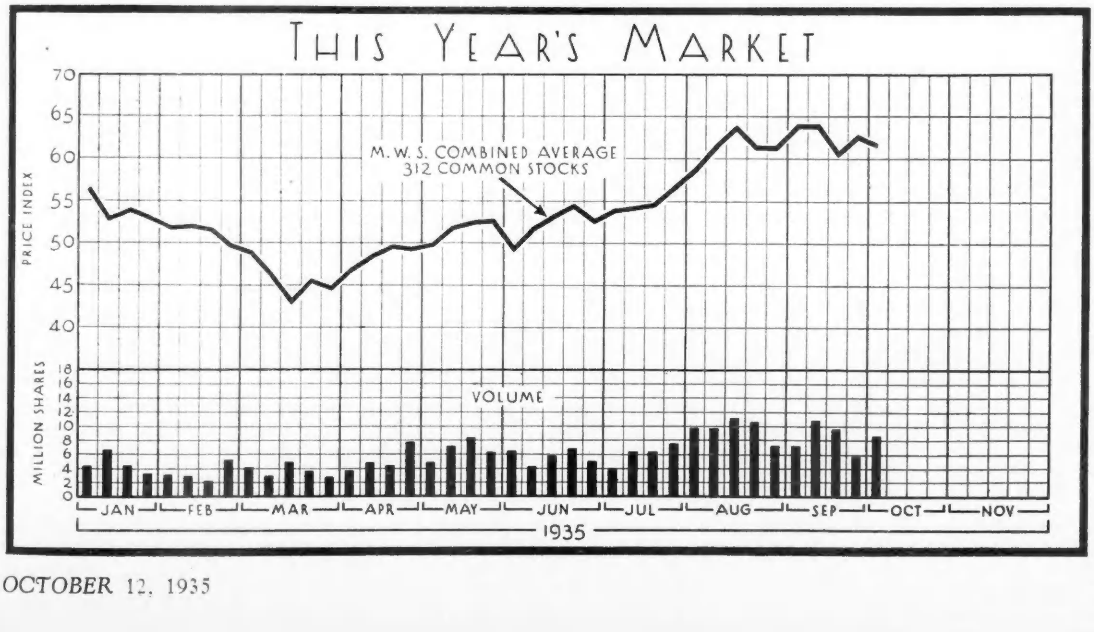
In the event of a war of more than colonial proportions, the danger to our market is not primarily a rush of individual foreigners to liquidate our securities, but the probability that foreign holdings would be commandeered for liquidation by belligerent countries, as happened in 1914, and the anticipation of such pressure by intelligent investors and speculators in this country. At present, for example, there is little evidence of foreign pressure.

Apart from the foreign uncertainties, we reiterate our previously expressed view that the great majority of stocks not only have run far ahead of business recovery but have quite liberally discounted earnings and dividends for a considerable period ahead. In coming weeks some of the anticipations of the summer are going to come home to roost as the third quarter earnings reports come to hand. Since expectations have been generally high, it would not be surprising if some of these reports prove disappointing.

Motors Lift Business

The initial response of the international commodities to the beginning of hostilities in Africa has been a sharp spurt, followed by profit-taking and hesitation. As is natural under the circumstances, the gold bloc currencies have weakened further against the dollar, the pound sterling has dipped under $4.90 for the first time since last May and the flow of European gold toward us has been accelerated.

In the business scene the major development over the next few weeks will be expanding production of 1936 model automobiles, incident to the national show early in November; and a resultant moderate boost in steel operations. In trading rallies for the present, therefore, motors and accessories of all major groups would appear to present the least speculative hazards.



How War Will Affect Us

By Thomas L. Godey

A War Horoscope

The author of this article has conversed with outstanding statesmen and business men of the United States and informed representatives of other nations. A composite of their judgment is:

Sanctions will be applied very cautiously and gradually by the League of Nations.

Military measures will not be taken (unless precipitated by some untoward incident) for a long time.

If force is eventually applied to Italy by England and the League all Europe may break into war flames.

United States will derive a little material benefit from a localized war, but will suffer from apprehension—is already suffering.

Administration will be conservative in trade limitations under the neutrality resolution.

A wide war would not result here in the immediate extremes of depression and prosperity of the last war.

WE have tried it before—keeping out of war. The harder we tried—like a man fighting quicksand—the deeper we sank. In 1916, President Wilson was re-elected on the slogan: "He kept us out of war." Five months later we were in it. In 1807, to keep out of the maelstrom of the Napoleonic wars, we sealed our ports to imports and exports of all nations. That action drove us to the verge of civil war and the dissolution of the nation. To escape that fate we modified the non-intercourse act so that it applied only to France and her allies and the United Kingdom. Despite all, we finally drifted into war with England against our preference between the combatants; and after three years signed a treaty of peace which actually settled nothing.

Yet we may be turning again to the non-intercourse policy of 1807. By joint resolution of Congress, approved August 31, the President is directed, after proclaiming the existence of a war between two or more foreign states, to issue a proclamation naming the articles of "arms, ammunition and implements of war" which shall be embargoed. Overboard goes our historic policy that free ships make free goods, and that our nationals may legally trade with any nation, subject to the vicissitude of blockades and the rules of contraband. Implements of war is a vague phrase. It may be stretched to mean any commodity which contributes to the waging of war—even foodstuffs and the raw materials of industry. The next session of Congress in its eager desire to keep out of war at any cost may specifically name all the articles of commerce listed in the lists of absolute and conditional contraband that warring nations may issue. Judging by the British lists in the World War, they might include so much as to mean an attempted embargo on trade with all warring nations—even all nations.

While the hostilities are confined to Italy and Ethiopia the war will of itself mean little to our foreign trade. Trade with Ethiopia is close to non-existent. Even the stimulus of war requirements could not make it amount to much. The entire import trade of Italy amounts to less than $400,000,000, of which only $60,000,000 stands to the credit of the United States. The requirements of a war with Ethiopia would probably increase the potential imports of Italy from the United States. Preparation for war has noticeably increased Italian imports from us of airplanes, scrap iron and steel, copper, wool, gasoline, automobile trucks. Correspondents report that the advance of the Italian army to the Abyssinian highlands looks like an American truck parade. At the worst we could not lose much, and at the best we could gain but little by the duel between the Conquering Lion of Judah and Il Duce.

This little war may have a more depressing effect than was apparent in the initial break in the stock market, however, because of its possible implications of a war in Europe. The beginning of the World War stunned American business, palsied shipping, and shut the New York Stock Exchange up for several months. Eventually we did an enormous business with the Allies and neutral nations in both contraband and non-contraband goods. Our export trade doubled in 1915 and 1916 as compared with 1914. It went up from $2,329,000,000 in 1914 to $5,422,000,000 in 1916. After we got into the war it shot up to $8,000,000,000 and the foundation was laid for the mad boom of the 1920s.

If it should soon appear probable that there will be no immediate danger of other nations being fired by the war spark in Africa, little difference between war and peace would be felt in the United States, even if we should embargo all exports to the two combatants; which the President recommends in practice although not proclaimed; and still less with our embargo restricted to the list of actual munitions. The only differing condition from other wars, so far as self-imposed restrictions would be concerned, is that whereas the trade in munitions of war with belligerents has always been legitimate it is now prohibited. There may be some bootleg trade in war materials, al-

though the neutrality resolution prohibits the export of proscribed goods to neutral countries if transshipment to a belligerent is contemplated. In exercising his new authority to prohibit Americans to travel on the ships of a belligerent except at their own risk, which in the present situation means Italian ships, the President gives a little more patronage to our ships and those of other neutrals and a little less for those of Italy. And landlocked Ethiopia has no ships.

"Sanctions" and Their Unholy Possibilities

At this writing it appears to be certain that as Italy proceeds with the invasion of Ethiopia the League of Nations will apply "sanctions" under the Covenant. Should these actions extend to military or naval operations, they would amount to war, even if none were declared. Even if confined to economic and financial non-intercourse between League nations and Italy, grave menaces to the United States would result. In the first place the President would be called upon to make a decision under that mysterious paragraph of the neutrality resolution which leaves it to his discretion whether to apply the embargo to nations subsequently joining in the fray. If England, for example, resorted to arms to choke off the Italian war on Ethiopia, it would be up to the President to decide whether to consider her a belligerent to which the embargo should apply. Should the forbidden list at such a time be as wide as the customary contraband and conditional contraband lists were in the last war we would be cut off from 25 per cent of our export trade. If limited to actual war goods we would be denied a market that might be of considerable proportions.

If France became involved we would lose another sizable chunk either way.

If the whole League of Nations applied the screws of military compulsion to Italy, then we would be without any neutral nations to trade with except Japan and Germany—we would be hemmed in by the world. And if still we insisted on trading with Italy we would then be up against the rights of belligerents to proclaim blockades and proscribe pretty nearly everything as contraband of war. If the League nations should do nothing more than apply economic penalties to Italy they could penalize our trade with them if we insisted on trading with Italy.

Let us suppose that the African ulcer spreads to the outside world and that (1) the members of the League of Nations enter into a state of war with Italy, (2) Germany and her satellites, including at least Austria and Hungary, and Japan get into war on the side of Italy, or start something on their own account.

If the World Catches Fire

Until March 1, 1936, unless Congress modifies the neutrality resolution before that time, it will be up to the President to decide whether or not to apply its provisions to each new belligerent. This liberty of action imposes a tremendous responsibility upon him. It virtually leaves him free to decide whether we shall line up with the League of Nations or against it.

War On One Man's Will

Back in May, 1934, the President virtually offered the League a pledge of support against aggression if a pact for the reduction of armaments could be agreed upon. There was, it is true, no agreement; but the maintenance of peace was the objective—and now we are approaching a moment when we may be called upon to decide whether we will support peace even to the extent of backing the League nations in a paradoxical war to keep the peace. The substance rather than the letter is our aim. Suppose, then, that the President leaves the League nations free access to our markets and resources, restricted only by the old routine neutrality laws which really interfere not at all with trade with belligerents so far as action on our part is involved. If Italy is then at war we will in effect line up against her—and so we would stand with the League nations, if Germany and Japan should incur their displeasure. Thus the neutrality resolution would become, really, a resolution of prejudice and favor.

Actually, as matters stand at this moment, the neutrality resolution is most unneutral. If the President should place the strict construction on the word "implements" — and that is his present intention — maritime Italy would automatically draw upon the U. S. for unlimited supplies of everything except arms and ammunition and aircraft; and inland Ethiopia could get nothing.

On the other hand, if we insist on our venerable contention of the right to trade with belligerents, subject only to our old rules of the game in time of war, we shall be drawn into endless disputes with the sanctioning League nations, just as we were

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MARS—*Who Said I Was Through?*

Happening in Washington

By E. K. T.

Washington Sees—

Flashing blackshirt conquest of Ethiopia.

Conquerors marooned by British fleet.

No war in Europe—

But if it comes League of Nations, victorious, transformed into U. S. of Europe.

Business leaping forward, rebuffed by war fright—but only temporarily.

No rush to isolate ourself from world trade.

Chance that eventually we may hibernate—to avoid war at any cost.

Stabilization a dead issue.

President set prosperity as keynote of 1936 campaign.

A A A, great law enforcer, refuse to obey its own law.

Flock of strikes—and finds business good in recent one.

N R A inquest may lead to resurrection.

Business: "The depression is definitely over," is the Universal dictum of the Administration's business sharps. Simultaneously comes the war in Africa, which may be the war in Europe. What now? Nobody knows but plenty of guesses. Popular guess: Some perturbation at first, but no great shock, prompt rally and then brisk forward movement until some new phase of strife; finally, calm adaptation to almost anything—all war news in the day's work.

Forecast here is that Mussolini will conquer Ethiopia but may then be left hung up there as Napoleon was, after his conquest of Egypt, when Nelson wiped out the First Consul's fleet at Aboukir. Il Duce then throws his airplanes and submarines against the British fleet in a wild gamble with fate.

Keeping out of war. We may come to this if the African war reverberates far enough: "In January, 1809, ... Congress passed an enforcing act which authorized the President . . . . to seize any goods of American manufacture . . . . going toward the sea and hold them until heavy bonds were given that they would not be taken out of the United States." (Bernard Baruch hints that's the kind of way to keep out of war, sure-fire.)

> *"Such an experiment never before entered into the human imagination," said John Quincy Adams. "There is nothing like it in the narrations of history or in the tales of fiction."*

No general war is expected provided Great Britain and France stand together. Germany is not ready but may foresee door permanently closed against her expansion if Italy should be crushed by the League, and may strike in desperation.

War to end war is imagined. Seers see League of Nations, if it prevails, cemented into something approaching a United States of Europe.

> *"Consummation devoutly to be wished for," says one international observer. "History made a mistake at Waterloo that may now be corrected."*

Prosperity is proclaimed by President on his western tour, and he claims the credit for it. Implies that it is up to private business to take up the banner and carry it forward. Becoming more and more evident that Democratic strategy if recovery should continue, is to be its affirmation and glorification.

The pocketbook is to be put above the Constitution, as a realistic vote-getter. Promise of curtailed budget and no increase of taxation is an appeal to business.

A like appeal is the gesture that if business should take to the idea of voluntary codes, there will be no revival of N R A. Insiders say N R A is past official resuscitation, but may be raised from the dead if business chooses. Revival meeting of industry is to be summoned to give its opinion. Slim attendance is predicted.

But signs of overproduction tendencies are causing some business men to think rather fondly of the possibilities of permissive self regulation of industry. My attention has been called to three instances of industrial expansion (financed by Government loans) which the industry as a whole describes as making for wasteful competition.

Truce with business is believed to be real, but there is the menace that it may not last if it is one-sided. Business is on warning to keep the peace.

Treasury officers are pleased by promises of economy impliant in President's revised budget. Worried over size of national debt and its absorption of credit. Fear unloading of bonds by banks and difficulties of financing cheaply.

Agricultural Adjustment Administration is now turning toward stimulation of production. Secretary Wallace explains that it was designed to regulate production either way. It plans to win for the Administration on the basis of heads-I-win-tails-you-lose. Big crops or little crops, more money for the farmer.

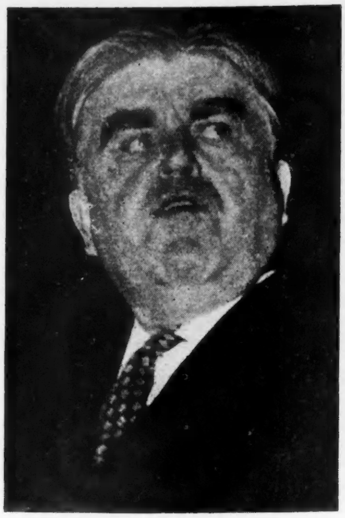
> *From the political point of view A A A is the Administration's greatest asset. It is so mobile! It makes its own laws and selects among those made for it. Potato control being hot on its finger tips it decides that it will not enforce it. "Another step toward government of men instead of a government of law."*

International monetary stabilization continues to be talked of, but futilely. Stabilization of trade must come

first. The war scare in Europe makes trade more unstable than ever. There can be no return to the gold standard until some way can be devised to keep gold from flowing endlessly into the United States. One way is for nations to restrict imports from the United States. And they are doing just that. Another way is to increase their exports to the United States. We don't like that.

But—the Roosevelt Administration is trying to promote it; although inadvertently is also curtailing exports. Everything is working toward an excess of imports over exports. For the first seven months of this year exports barely exceeded imports; last year the former were $200,000,000 in excess of the latter. Exports stood still, imports gained $200,000,000. But still we took in $820,000,000 in gold. What good does it do us? We can't eat or wear it, we can't spend it on each other except by inflation which cancels itself out.

We must manufacture our prosperity at home. There is no hope in prosperity by foreign trade for many years to come—except by war trade, which will mean still more useless gold—more inflation pressure.



JOHN L. LEWIS
Stormy Petrel of A. F. of L.

Victory of unions in coal strike helps to make organized labor bellicose. The belligerents seek the overthrow of President Green at annual convention of American Federation of Labor this week. Green talks fiercely and acts softly. Industry unions, John L. Lewis, coal champion, leading, will clash with trade unions; former more radical and vindictive.

Constructive strike. Recently composed strike in the lumber industry of Oregon and Washington coasts succeeded where N R A failed in adjustment of supply to demand. Three months' strike put national inventories into reasonable relation to orders—something not known for ten years. Workers won more money but inadvertently put employers into position to pay it.

This "labor government" has its troubles with labor. Unions of Federal employees are glorified—but squabbles flourish just the same. Rex Tugwell is having more trouble with Prof. Zeuch case than with resettling a million people. Tugwell fired Zeuch, one of the most voluble of the great concentration of brain trusters who coagulated in Tugwell's province as they were diluted elsewhere. American Federation of Labor demands his restoration, demands it insolently. Tugwell gets hotter and hotter but his manner is cooler and cooler. "Your question is proper," he said to a committee, keeping in mind his "collective bargaining" philosophy; "but I refuse to answer it"—feeling the oats of the boss.

Secretary HENRY A. WALLACE
He Heads a "Mobile" Industry

Boondoggling has taken possession of the stupendous project for planting a $75,000,000 forest a hundred miles wide from Canada to Texas. The inspiring dream of a living rampart against drought and dust has degenerated into a work relief project moved a hundred miles east—where the trees may possibly grow and live—and which contemplates a flock of separate groves where they may have political value even if they fail to change the climate.

Diplomats aver that Britain's supreme interest in the impending conquest of Ethiopia by Italy is not the preservation of the League of Nations, but the safety of the Empire. While the huge fleet which Britain has mobilized in the Mediterranean may be used to enforce sanctions against Mussolini, it is explained, the real purpose is to prevent Mussolini from staging an imitation of Napoleon, and by some sudden coup seizing Egypt and sealing the Mediterranean.

Italy, the diplomats say, must expand or explode. Abyssinia is not enough. The Mediterranean must become the Mare Nostrum it was to the Italy of Roman times. Without great expansion, Italy's teeming 44,000,000 penned up in half the area of Texas will be reduced to perpetual poverty unrelieved by any ray of hope. Meeting this dilemma, Mussolini is prepared to risk his own fortunes in a desperate effort to redraw the map of the Mediterranean and even to aspire to put a period to British empire.

An international banker and an American ambassador united in comparing the condition of Italy, Germany and other European nations in their external economic relations to the internal condition of the United States according to the New Deal thesis—maldistribution of wealth.

"The world has ample wealth for all nations, but a few have a monopoly of most of it." Hence there must be a redistribution, even by force of arms. Italy starts the drive for redistribution, Germany will follow suit somewhat later. "The ultimate map of the world remains to be drawn."

War may bring inflation by acting as a credit starter. Search for a starter long has gone on in government and business. War is proverbially the delight of speculators. None can tell how great may be the real requirements of a war-fearing world within the next few months. Rising commodity prices will be the first fuel for the flames which may mount into a merchandising conflagration. Wheat and cotton are technically ready for ignition, building boom is already beginning to get up pressure, unlimited credit potentially awaits the spark.

Supreme Court began this week
(Please turn to page 675)

Getting Ten Millions Back to Work

Must America Face a Dole or Can Industry Provide the Answer to the Gravest Problem in the Depression's Aftermath?

By Laurence Stern

Population of the United States....	127,600,000
Gainfully occupied	39,600,000
Unemployed	9,901,000
Supported by Federal relief........	17,500,000

SUCH, approximately, are the proportions of the biggest headache this nation ever had: namely, a continuing and staggeringly costly total of unemployment which has dumped into our reluctant laps two very complex problems. First, how can we most wisely carry these millions on public relief until they find private employment? Second, how and when can business and industry provide jobs for them?

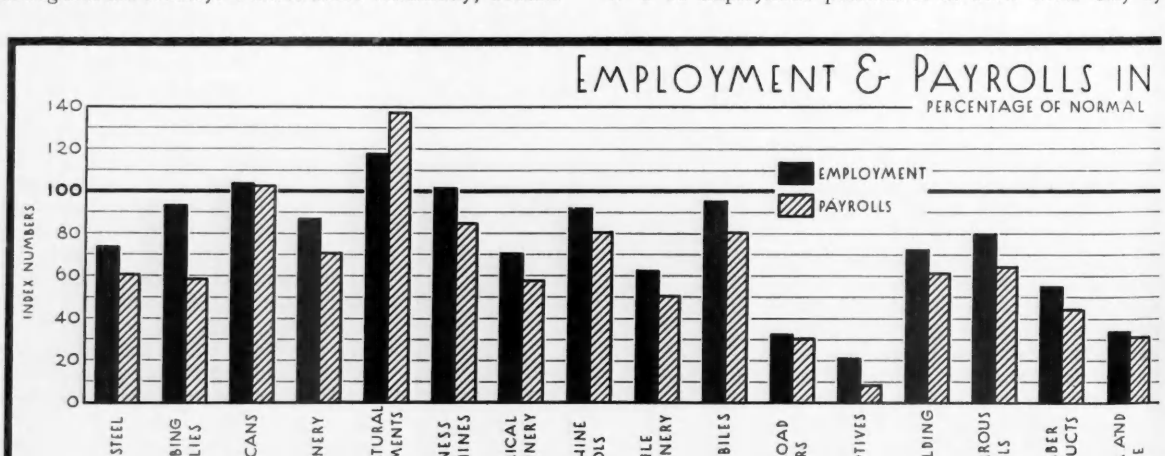
As to the first question, it becomes increasingly obvious that the only practical answer is the dole; and that there is not the remotest chance that the present $4,000,000,000 "work relief" program will either have attained its original objectives or have solved the unemployment problem when the present vast appropriations run out about nine months from now.

These are bold statements, so let us cite authority for them—the outspoken Gen. Hugh S. Johnson, who was selected by the President to organize the W P A program in New York City as something of a "yardstick" for W P A throughout the country. Soon to retire voluntarily, General Johnson has been struggling with this exceedingly complicated administrative job for weeks. He has publicly stated:

"The unemployment problem has got to be handled. W P A plus P W A won't do the job—not even for the year ending June 30, 1936. . . . If you nevertheless bull the attempt through, you are certainly going to raise this dilemma a few months from now: (1) To appropriate a new and vast number of billions, or (2) to stop work and leave the face of the whole country littered with useless, partly finished construction. . . . This isn't just an academic question. It is a screaming catastrophe approaching like an avalanche. It is far and away the most important and pressing national problem. . . . There is only one possible solution—the dole, supplemented by a relatively small amount of orderly, necessary and scientifically administered public works."

Such is the prospect for the hastily improvised New Deal endeavor to employ 3,500,000 "employables" on projects of permanent value—as described by one who has tried to make the thing function in New York City, largest single area of W P A activity. Moreover, this is quite apart from the still unrealized Federal objective of returning some 1,500,000 "unemployables" to local care.

For further authority there is the recent report on W P A employment possibilities in New York City by



the Wilgus committee, made up also of administrators who are, or have been, on the firing line of the New York program. Among its basic conclusions are, first, that it will be possible to attain the objective of putting 220,000 individuals on W P A projects in New York City after November 1 only by resort to street and sewer cleaning and other maintenance work during the winter months; and, second, allowing liberally for the probabilities of private re-employment and P W A employment, there will be at least 150,000 of these 220,000 individuals still on W P A's hand next July when the money runs out.

Wide World Photo

Movie?—No!—Relief Line

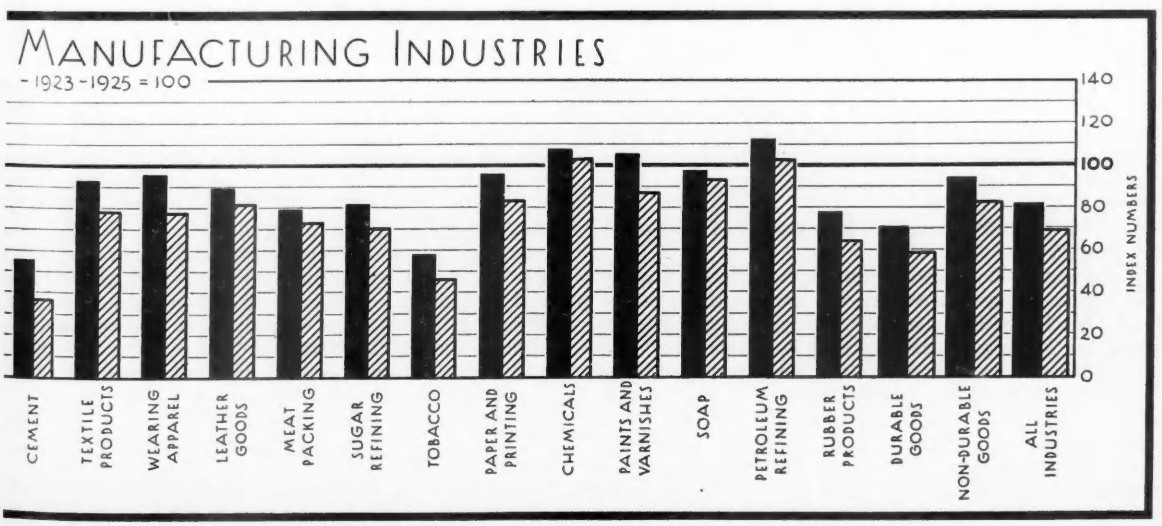
It is not a pretty picture. It inevitably means that after July 1 of next year large additional Federal relief appropriations must be made, probably at least $3,000,000,000—if the Administration is going to cling to the present type of relief. New York's W P A program undoubtedly being better organized than the average throughout the country, the conclusion can hardly be escaped that the much touted $4,000,000,000 spending program has not much to recommend it over the old, and discredited, C W A. In essence, it is but a feebly disguised dole, fooling not even its beneficiaries. Against the original idealistic assumption that such "made work" would save the pride of those to whom it is given is the ironical fact that none can get it without virtually having taken the pauper's oath: that is, only those who have been on the Federal relief rolls are eligible for W P A!

Viewing this disappointing and chaotic program, we believe the New Deal's relief endeavors can escape the "screaming catastrophe" that General Johnson has predicted only by changing its course in two respects: first, by placing main reliance on a cash dole, which the long experience of Great Britain has shown to be the only feasible relief method; and, second, by giving every possible help to private business, which now is employing many times the number on Federal relief and which alone can provide permanent work for the rest.

Much of the radical agitation of the times rests upon the depression-born theory that, because of increased use of machinery, our industrial system has reached a state of mechanical efficiency such that it will never again absorb all of the unemployed, much less provide work for the annual increment of some 400,000 young people reaching working age.

In one form or another, this pessimistic philosophy has gained a deep hold. There is, for example, the recent remark of President Roosevelt that business could recover to the 1929 level without absorbing more than 80 per cent of those now unemployed. This is the typical depression illusion—the thought that the economic peak from which we fell marks necessarily the ultimate business activity. We tend in depression to look backward, rather than forward. For five years beginning 1873 we yearned for the return of 1872 conditions. For three years after 1883 doubtless many believed 1882 was the all-time high; and so for two and a half years after 1893, and for a year and a half after 1907. Always economic activity reached new highs, reflecting two things chiefly: first, growth of the population; second, invention and other technological progress. The population is still growing and is some 5,000,000 larger now than in 1930, the first year of the present depression. Science and invention are still on the job.

Nevertheless, the fallacy dies hard. We lose patience and turn in despair or folly to one or another political quack-remedy for what is and always will be an economic problem—or will be, at least, as long as we retain the framework of the profit system. The N R A was a political effort to solve the problem. Despite the claims of its



sponsors, the evidence piles up that it was a failure even before the Supreme Court declared it null. Whatever basis for dispute there might have been six months or a year ago no longer exists. The present improved level of business, employment and payrolls is unanswerable proof of the futility of N R A.

Another political approach is the stubborn 30-hour week agitation of the American Federation of Labor. In effect, the Federation would declare by law that we must freeze the depression where it is and spread the existing depressed aggregate of available work. This absurd proposal ignores the simple reality that an arbitrary 30-hour week in most industries would automotically increase unit costs far more than N R A did and thereby reduce both purchasing power and real wages.

Yet the illusion has a certain plausibility about it, especially in the fact that gains in employment during the past year have been far less than proportionate to the gain in general economic activity.

Thus it is worth while to attempt an objective analysis of the essentials of the problem, to seek out the precise causes of present unemployment and to study the real effects of the mechanization on which the Technocrats build their nightmare.

To begin with, the significant measure of employment or unemployment is not in terms of so many millions of individuals but on a per capita basis. For example, if unemployment at some past time was 5,000,000 and is 10,000,000 today, it appears to have doubled; but if the population has doubled it is exactly the same in its consequences and neither more nor less difficult to cope with.

So examined, one finds that the total number of gainful workers in 1890 was 36.1 per cent of the population; in 1900 was 38.2 per cent of the population; in 1910, 41.5 per cent; in 1920, 39.3 per cent; and in 1930, 39.8 per cent. Estimating our population today at approximately 127,600,000 and gainful workers at 39,600,000, one finds that approximately 31 per cent of the population is gainfully occupied.

Keystone Photo

Surely, it would seem, the normal sequence of acute depression following tremendous boom, is sufficient to account for this difference between 39.8 per cent of our people at work in 1930 and 31 per cent today.

If the loss is due to mechanization, how does it happen that similar severe losses were not experienced prior to 1930? Mechanization obviously did not begin with this depression. We were experiencing its consequences for several generations prior to 1930. In the forty-five years since 1890 total installed horsepower in our manufacturing industries has increased by more than 400 per cent. According to a literal application of the theory of the Technocrats, a majority of all workers should have been on the breadlines by 1930.

What actually happened while horsepower in use increased more than four-fold was that the number of gainfully occupied individuals increased by 26,096,928 between 1890 and 1930 and their ratio to the total population increased from 36.1 per cent to 39.8 per cent. Over the same period the total annual value of manufactured products increased also by more than 400 per cent and wages paid by manufacturing industry increased by nearly 500 per cent. Finally, real wages—the only valid measure of the worker's actual economic status—increased by approximately 55 per cent.

Suppose we exclude the war and boom periods and take the record from 1889 to 1914. Horsepower installed in this period approximately doubled, value of manufactured products advanced from about $13,000,000,000 to nearly $24,000,000,000 and wages paid in manufacturing industry expanded from $2,320,000,000 to $4,067,000,000.

In short, the evidence is indisputable that the actual effect of mechanization has been for decades to expand both production and employment, payrolls and real wages. Far from an enemy, the machine has been our savior. Without it, our standard of living would be on the order of China or India.

For that matter, the cock-eyed theory of the Technocrats can be exploded with only a moment of intelligent reflection, without statistics of any kind. If our difficulty is mechanization, then, obviously, unemployment should be greatest in the most highly mechanized industries and should be least in the handicraft industries. Exactly the reverse appears to be true.

For example, the automobile is the very epitome of mechanization. Each year the motor industry spends millions on new and more efficient machinery, which steadily reduces the labor needed per unit of output and reduces unit cost and price to the consumer. The result has been a volume of business so large that, directly and indirectly, it has created far more employment than mechanization has eliminated.

Thus, one finds that the index of the United States Department of Labor shows employment in the motor industry for August at 95 per cent of estimated normal and payrolls at 80.7 per cent. These figures, moreover, reflect seasonal decline. In July they were, respectively, 100.6 per cent and 85.7 per cent. This month will without doubt find them back to or above the July level. Moreover, the apparent discrepancy between July payrolls of only 85.7 per cent of the 1923-1925 average and employment at 100.6 per cent is accounted for by the difference in the purchasing power of wages, the purchasing value of the 1923-1925 dollar now being about 120 cents. Thus, for comparison, with 1923-1925 payrolls one must add 20 per cent. This would bring the July figure from the 85.7 reported to 102.8.

Similarly, the textile industry in all its branches is highly

(*Please turn to page* 671)

The New Deal and the Building Industry

Repair, Renovation and New Building Point the Way to Renewed Prosperity

E. S. PHILLIPS
President, Devoe & Raynolds Co., Inc.

WHILE many New Deal measures are being hotly debated as to their ultimate benefit to the country, and in some instances, even as to their constitutionality, there is one alphabetical agency which from its inception has produced beneficial results.

The National Housing Act was wisely conceived and it has been administered in a sound manner.

Only thirteen months ago the Federal Housing Administration started operations to achieve that revival in the Building Industry which was the avowed goal of the N H A, and speedily built up a nation-wide organization on a state-unit basis to promote and administer the various phases of the Act.

A huge publicity campaign backed up by radio broadcasting, newspaper advertisements and mass meetings called the attention of the public to the advantages of repairing, remodelling and redecorating under the time payment plan offered by the N H A. In nearly 9,000 communities house-to-house canvassers—drawn in most instances from the ranks of the white-collared unemployed—called upon approximately 11,000,000 property owners and directed their attention to various types of work which would serve to rehabilitate and modernize these millions of homes.

Definite results followed. Local banks and other financial institutions began to receive applications for loans insured under the N H A and this money transformed itself into new roofs, new paint jobs, new heating plants, and many other evidences of renewed pride-of-ownership.

But mostly these released funds found their way into labor because three-quarters of each building dollar represents manpower, and that is why increased building activity is such an infallible index to renewed prosperity. Witness the recovery in England where, for a population one-third of ours, residential construction each year has lately been many times our own figure.

To October 1, the Federal Housing Administration has insured $168,000,000 worth of modernization credit loans. But manufacturers in the building industry agree that for each job which goes through on such loan, five or six others ultimately are handled on cash or ordinary terms. That means that $900,000,000 worth of modernization and repair work has been handled during the past year as a result of the effective pump-priming of this agency.

Recently the size limitation for insured loans has been raised from $2,000 to $50,000 which opens a tremendously wide market among business establishments and manufacturing plans. Under Title II, about 46,000 proposed mortgages totalling over $180,000,000 are now being appraised and probably 70-80 per cent of these will be accepted for insurance.

Such is the picture today with increased activity among manufacturers of building materials, with evidences of new construction all about us and with the graph of building permits rising every month.

These things are tangible. Intangible, but in my opinion equally significant, is a new vision of salesmanship in the building industry. Last year we are told the American public purchased $2,500,000,000 worth of products on the installment plan of payment. Industry after industry has achieved large volume because consumers have been able to enjoy their products and pay out of income.

From that great total of installment purchasing but few transactions affected the building trade. Remodelling jobs, new roofs, new painting could not be repossessed and little effort was made to sell such service on time payments. But now we have come to realize that the credit of the American homeowner is probably the soundest credit of all, and that permanent improvements can be contracted for and paid for out of income with the greatest of safety.

From this new sales viewpoint may well come an era of remodelling and new building such as this country has never seen.

E S Phillips

One of a Series of Guest Editorials by Leading Men of Industry

Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

Wide World Photo

What will satisfy Mussolini?

The chances that Italy's military operations in Ethiopia can be kept on the basis of a mere colonial expedition appear somewhat better. Whether or not there is to be a general European war depends upon whether Mussolini will be satisfied with what Great Britain will let him have and the avoidance of serious "incidents." The capture of Aduwa by the Italians and the erection of a monument to those who fell in the 1896 rout can be played up in the controlled Italian press to provide the dictator with all the face-saving material he might require. If he could now arrange a peace, giving him substantial territorial concessions, it probably would satisfy everyone—with the possible exception of the Ethiopians, but who after all are no more than pawns in the game. The League undoubtedly would be relieved to see matters take such a course and, in order to give it time to develop, are likely to apply sanctions very cautiously. In the meantime, Mussolini and the British are talking things over; Mussolini has stated time and time again that he would do nothing in Ethiopia which would interfere with legitimate British interests. If his ideas of what constitute British interests and the ideas of Britain herself can be reconciled, it should be possible to avoid a major conflict for the present, at least. Certain it is, however, that Britain will brook no interference with Lake Tsana and the waters of the Nile. If Mussolini wants these he will have a more difficult task on his hands than the slaughter of ill-equipped and ignorant savages.

Yet, despite the brightening visible in the war clouds immediately above, Europe is still the tinder box it always was. Apart from the possibility that an "incident," such as the seizure of a British ship by an Italian warship, which conceivably could touch it off immediately, all Europe's hates and jealousies are smouldering more fiercely than ever. Hitler is not ready to go now, but he continues to work on Austria and the Germans have made it abundantly clear that one of these days they are going to regain their place in the sun. In view of that the future so clearly holds we wonder whether Britain's unexpectedly firm stand in the present Italo-Ethiopian controversy is not based in part at least on the thought that it possibly might be preferable to have a show-down with Italy now than to be confronted with a German-Austrian-Italian combination in the not distant future.

Watch Middle Europe!

In Eastern Europe the international situation is overcast. General Gombas, the Hungarian Prime Minister, visited Berlin by air, ostensibly to take part in a private shooting party, but in reality his presence in Germany will provide an occasion for personal talks with Herr Hitler. At the same time, Lieutenant General Milch, Secretary of State at the German Air Ministry, flew in the opposite direction to Budapest. There is a tendency, not without reason, to link these moves with former stag shooting parties staged by General Goering when he entertained distinguished Polish guests. Undoubtedly, this general activity in Eastern and Central Europe can be traced to the recent rapprochement between Roumania and Soviet Russia with its direct bearing on the Franco-Soviet-Czech alliances. Hitler's recent speech at the Nuremburg party rally was another indication of Fascist hatred of communists and revealed unequivocally his implacable hostility to Moscow.

Although England's diplomatic policy is based on the maintenance of solidarity with France, every effort is being made to keep the door open for subsequent negotiations with Germany in the event that Hitler decides to launch a military campaign of expansion eastward into the Ukraine.

* * *

Egypt in the Northeastern Mediterranean

Egypt forms another weak spot in the European political fabric. In Alexandria and Cairo, two important movements are gaining rapid headway. One is the aim of the Egyptians to use the present situation as a lever to secure concessions from Great Britain. It is generally admitted that the Fuad himself is strongly pro-Italian, and that Italian propaganda is currently circulated throughout the country. The large business interests in Egypt, however, are not as much concerned with the problem of how to get as much as possible before joining in a move against the Italians as how to protect Egyptian interests in case the British Government fails to prevent the sweep of Italian dominance over Eastern and Northern Africa. They view with some alarm the fact that Massawa, the Italian port in Eritrea, is becoming a formidable air-naval base, rivaling Gibraltar, and wonder how far along the line of "Egypt for the Egyptians" they can go with safety.

It is this side of the Egyptian political policy which merges with the policy envisaged by Turkey and the Balkan Entente. Undercurrents of rumor indicate that conversations between Egyptian representatives and representatives of other Eastern Mediterranean states have already taken place in the attempt to formulate a plan of mutual assistance in the case of emergency. The heavy increase in insurance rates on maritime traffic passing through the Suez Canal is a pertinent indication of the gravity of the current situation beyond the localized problem of the Abyssinian controversy.

* * *

Consequences of Memel

Since the Armistice of 1918, Memel has constituted a political thorn in the side of Europe. Before the War, the City of Memel, with the strip of territory beyond Niemen, was a peaceful possession of the German Empire. In virtue of the Treaty of Versailles, the area came under the control of the Conference of Ambassadors and it was not until 1922 that the Allied Powers considered an autonomous relationship with Lithuania similar to that which Danzig enjoyed with Poland. The Lithuanians, who regarded the port as indispensable to their national economy, seized the town by a surprise attack in 1923. The following year, a convention was signed by which Memel came under the sovereignty of Lithuania but retained certain privileges of financial and administrative independence. This procedure gave some justification to Nazi protests that Memel was stolen by Lithuania from Germany and the theft legalized by the League of Nations.

There is great similarity between the Saar Plebiscite and the Memel elections, except that the tables have been turned. The German accusation that the Lithuanian Government hoped to stuff the ballot boxes in its favor by the disenfranchisement of many Germans and the importation of swarms of Lithuanian voters assuredly has some basis of justification. It is fortunate that the statutory powers have not allowed their African pre-occupations to divert their attention from the tension existing between the Lithuanian Government and the Nazi political crusaders. Even though the result of the election produces no immediate crisis in the relations between Lithuania and the Reich, this area will provide a source of constant friction and the possibility of gave international consequences until this territory is finally returned to Germany and Hitler's pride has been appeased.

* * *

As England goes so goes Europe

Beneath a surface quiescent English political unrest is rising. All three parties are steadily preparing for the general election which it is confidently predicted will take place within the next six months.

Industry and trade continue to make progress in spite of the tense European situation. Large government contracts, placed in connection with the air force expansion and other relief construction projects, are helping employment. The Industrial Production Index continues on the upgrade—exports at £39,069,000 for August were 10.4 per cent up on the total of the previous year. Retail trade similarly showed a 6 to 7 per cent increase.

The total of unemployed is being held at just below the two-million mark, and in some specialized trades, a shortage of skilled workmen is reported, while labor disputes—conspicuous in their absence during the lean years—are on the horizon.

Financially, the situation is not quite so good as a year ago. Latest Treasury returns give the deficit in the nation's finances as £55,846,887 against £51,216,247 a year before. For some weeks earlier, the gap between the two years has been much wider, and latest government collections have improved the completion of national accounts.

Stock markets and company financings have both suffered from the uncertainties of the European situation. Issues of new capital, common at this period of the year, are being held up for the time being, though issuing houses and stock brokers have in hand a larger number of propositions than usual to offer to public subscription. Stock markets generally, are moderately depressed, but prices have in no instances been pushed down by panicky selling.

Previous to July, there had been a steady increase in the number of new capital issues floated, resulting in an acceleration in the liquidation of bank loans, in many cases formerly frozen for long periods. The effect is great improvement in the credit of the commercial undertakings concerned, since they have converted short-term indebtedness into either long-term or permanent capital.

Bankruptcies recorded so far this year are below the level of 1934, although during August the total showed a tendency to rise. Generally the commercial credit position is good—payments are continuing to be made with regularity and defaults are diminishing.

In substance, the momentum of the domestic boom in England has not lessened, but permanent prosperity cannot be assured without the gradual revival of international trade. The "gold bloc" countries, especially Holland and France, are suffering mainly from the depression in the export business. These countries are looking to England hopefully for some sign of collaboration and a combined effort to ameliorate the maladjustment of the currency situation which prevents any possibility of a real recovery in Europe.

Unmasking Our Silver Policy

Whereby We Give Much and Get Little

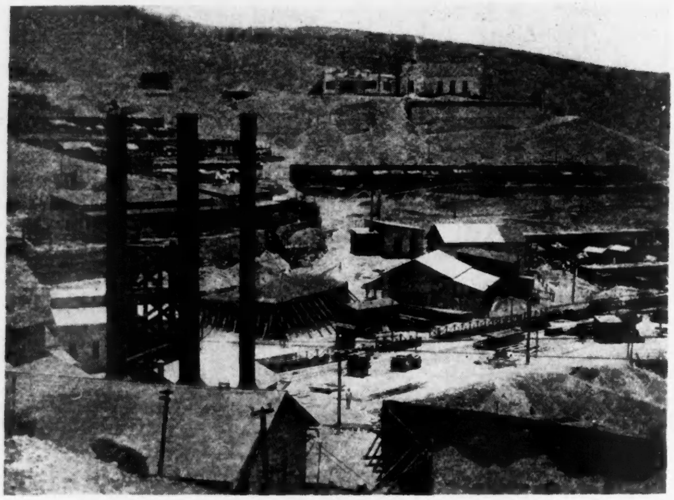
By Herbert M. Bratter

Formerly Silver Specialist, U. S. Department of Commerce

"CONSIDER the silver policy from a purely selfish American standpoint. Ignore its 'racket' aspects. Set aside any ill effects on foreign countries, unless those ill effects in turn injure us. With the foregoing in mind, what are the pros and cons of our silver policy to date, and should we continue it or abandon it?"

This question was recently laid before the writer. The following is his opinion.

The matter of silver has dropped into the background of public affairs in recent weeks. Only diplomats, mine owners, brokers, and speculators have continued to watch for new developments. Some have professed to see in Father Coughlin's recent luncheon with President Roosevelt grounds for renewed hope for "the cause". But the general public is rather indifferent as to silver, and interested chiefly in how the program may affect the currency and the foreign exchanges. If silver is quiescent, the Silver Purchase Act of 1934 is still a law of the land. And—although the effort of the Treasury to "enthusiastically" carry out the Act has not in recent weeks raised the price above 65⅜ cents—silverite Senators are laying their plans for next year. Senator Thomas, heading a sub-committee of the Senate Agricultural Committee, has sent out questionnaires on silver and bimetallism. The special committee headed by Senator Pittman and primarily formed to investigate the Treasury's execution of the Silver Purchase Act will hold a strategy meeting in Salt Lake City early in October. It is reported that a certain professional silver propagandist has been unsuccessful in his endeavors to be appointed to advise the silverites on their future course of action. But, even without him, one can easily imagine that those who earliest advocated silver legislation will be diligent in their efforts to rectify the "bad press" silver has lately had, for it is evident that the cause of silver latterly has been on the defensive, both abroad and in Washington. Hence Senator King's sage advice in the closing pages of the Congressional Record.



Producer

A Silver Mine in Mexico

What is our silver policy? It is one thing as stated in the law; and another thing as interpreted by its chief protagonists. The Silver Purchase Act gives as its purpose: to increase the proportion of silver to gold in the monetary stocks of the United States with the ultimate object of having and maintaining one-fourth thereof in silver. In the Act, the price of $1.29 plus per fine ounce (indirectly referred to as the "monetary value" of silver) is fixed as the maximum price the Treasury may pay for silver; the Act does not state as one of its objectives the attainment of that price. The leading silverites in Congress, however, have latterly left no doubt that what they want is a price increase to $1.29 per ounce. Senator Thomas, among others, has so stated and written on more than one occasion.

Our silver policy is, thus, one thing in the letter of the law and another in the desires of the more ardent silver advocates in and out of Congress. Which objective does the Treasury hold in view? Here, again, the matter is not simple. The Treasury must carry out the law literally; that is, it must build up the monetary silver stocks of the country until they equal one-fourth of the total gold and silver. So much for the Treasury as an impersonal, Government department. But the "Treasury" is one thing and those who head it and make its policies are another. The one is non-political; the others are entirely political. If they are too inept at politics they will suffer. The Treasury "Department" recognizes only what the law says; but the politicians who direct it must give more or less heed to what the Thomases, the McCarrans and the Pittmans want. Also Mr. Morgenthau has to be on speaking terms with Mr. Hull, whom he meets occasionally at the White House and who may now and then have things to say about the effects of our silver policy abroad. If the silver-purchase program gives signs of hesitancy at times, if it moves irregularly forward, or even appears to move backwards, the aforementioned factors are in large part to blame. In addition there are the important technical problems which bring on crises from time to time. For example, there was the crisis of last April, when the remarks of a

distracted Secretary of the Treasury helped the price of silver up to over 81 cents—whereupon the policy he had announced was abandoned. There was the panic of "bulls turned bears" in early July, and again in August, when the Treasury had to absorb torrential sales. And in such cases there is always the dilemma of what to do about the exchange market. Clearly, it was very difficult to pay for the 25,500,000 ounces of London silver bought in a single August day without disturbing the dollar-pound exchange rate. The Treasury's position is at best an embarrassing one.

Having briefly viewed several facets of our silver policy, let us turn to its domestic effects (a) past, and (b) future. The effects on this country may in turn be examined under several heads:—(1) The circulating medium; (2) The general price level (inflation); (3) The budget; (4) The mining industry of the West, and mining shareholders; (5) Our foreign trade; (6) Gold imports; (7) The exchange value of the dollar.

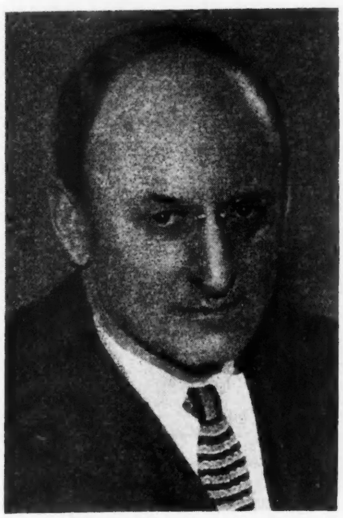
Keystone Photo

HOARDERS

Lavish Silver Ornamentation on Indian Ceremonial Dancers

As was generally foreseen, the addition of silver (certificates) to our circulating medium has merely served to displace other forms of currency. The situation is illustrated by the accompanying table, which is in millions of dollars. While the amount of silver certificates in circulation increased from 498 to 860 million dollars, the total note issue including silver certificates declined from 6,630 to 5,893 million and, accordingly, the proportion thereof consisting of silver certificates expanded. Practically all our $1 bills are silver certificates. The expansion referred to has been chiefly in the $5 denomination, as shown in the table. Actual silver dollar coins outstanding have not increased materially, despite the minting of several millions of them in recent months. The amount in circulation on August 31, 1935, was 32,750,000 standard silver dollars, compared with 30,995,000 on September 30, 1934, notwithstanding that several million of the pieces have been struck during the past year. What with over 500,000,000 already piled up on the Treasury's hands, the coinage of additional standard silver dollars can be useful only as boondoggling.

(2) Since issuing additional silver certificates and coins has not tended to increase the net amount of currency in circulation, it has not tended directly to raise commodity prices or cheapen the dollar's home purchasing power. In any country there is a certain minimum amount of currency needed as a medium of exchange. Without such minimum, business would tend to revert to barter. The silver issued under the Bland and Sherman Acts in 1878-93 came within such minimum, and was successfully absorbed, although with increasingly serious ill effects on the Government credit in the early 1890s. Probably the purchases required by the Act of 1934 can be carried to conclusion without directly impairing confidence in the currency. This does not, however, imply that the purchases are desirable. Such currency forms a rigid element in our monetary system. Greenbacks, if limited in amount, would serve as well as silver certificates, and would be vastly cheaper. Greenbacks, if limited in amount, would be inflation by the people and for the people; our silver policy is inflation by the people but chiefly for the benefit of foreigners who sell us the silver. A handful of American mine owners and mine workers benefit also. But, if we find it necessary to subsidize them, it is certainly a great national loss to engage in buying up all the silver hoarded since the time of Columbus in order to effect such domestic subsidy. Even the considerable expansion of the purchasing power of a handful of Western mine owners and miners constituting a fraction of the 1½ per cent of our population represented by the seven silver states cannot be more than a very minor factor in restoring prosperity to the country as a whole.



Acme Photo

BUYER

Secretary Morgenthau

(3) The silver bought under the present program costs the Government only a temporary outlay. As soon as convenient, the silver, once brought to this country, is issued at the rate of approximately 0.77 ounces = $1 ($1.29+ per ounce). So long as the cost is less than this rate, there is a "profit" to the government, called "seignorage," and the issuance of silver certificates thus constitutes a mild form of inflation. Yet it is too small to influence the purchasing power of the dollar, being dwarfed by other measures. Such seignorage recorded in the year 1934-35 totalled $2,372,871, a drop in the deficit bucket. In 1935-36, so far, $24,592,360 has been entered as seignorage from silver.

(4) The mining industry of the Western states of this country profits through being able to sell its silver to the Government at 77+ cents per ounce, as compared with a market price of 65+ cents. The price fixed at 50 per cent above the world market price by the Executive Proclamation of December 21, 1933, was 64+ cents. The purchases of silver in the world market following the passage of the Silver Purchase Act of 1934 eventually drove the world price high enough to warrant two increases in the "domestic" price to over 77 cents. Hence, the American silver-producing mine owners have profited handsomely through the President's policy of giving them a premium over the world price, and through the Silver-Purchase-Act purchases, which tend to advance the world price of silver. Americans who own shares in companies mining silver abroad also profit materially. But it is

(Please turn to page 670)

Will Autumn Showing of New Models Offset Usual Seasonal Dullness?

Can Business Expect a Continued Impulse from the Motor Industry in 1936?

Automobile Sales and Profits

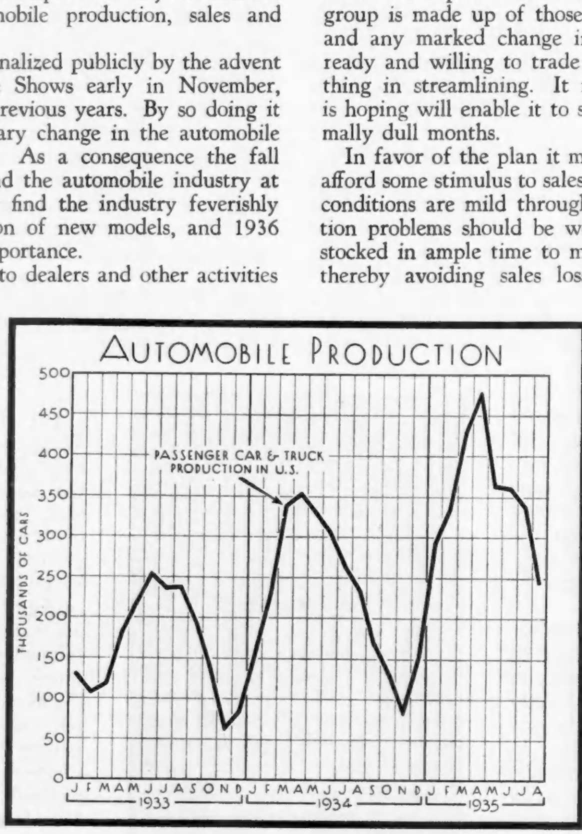
This Fall — Next Year

By C. M. Barbour

LONG distinguished for its courage to explore new fields and accept new ideas, the automobile industry is preparing this year to embark upon a unique industrial experiment in an attempt to modify the marked seasonal variation in automobile production, sales and employment.

This experiment will be signalized publicly by the advent of the National Automobile Shows early in November, two months sooner than in previous years. By so doing it is hoped to influence a salutary change in the automobile buying habits of the public. As a consequence the fall months, which formerly found the automobile industry at a virtual standstill, this year find the industry feverishly preparing for the introduction of new models, and 1936 prospects are of imminent importance.

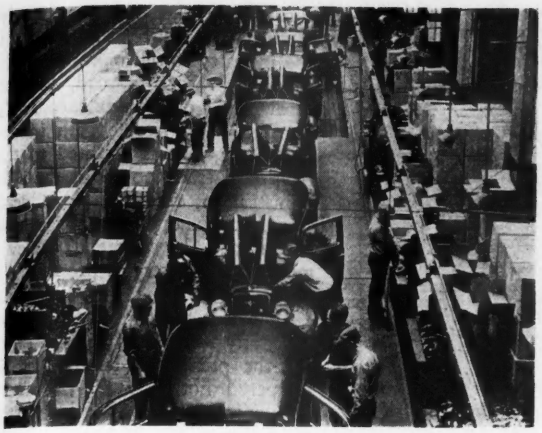
While retooling, deliveries to dealers and other activities incidental to the introduction of new models will feature what otherwise would be the dullest months in the industry, complete success for the plan will be assured only if a sufficient number of buyers can be attracted to sustain manufacturing activity in the last six months of the year instead of concentrating it largely in the first half. Public buying habits are stubborn and do not respond readily to attempts to change them. Hence, the lack of enthusiasm shown in various quarters of the industry over the probable success of the current experiment.



Potential purchasers of new automobiles fall into two main groups. In one is the buyer who does not become new-car minded until his own car begins to show unmistakable signs of approaching old age, or about every three, four or five years. Further this group of buyers is more than likely to satisfy their urge for a new car in the spring months when the lure of good weather is felt. One may well doubt that merely the earlier appearance of new models will bring this group into dealers' showrooms in sufficient numbers, and ready to buy, to alter the production curve of the industry. The other group is made up of those buyers who are style-conscious and any marked change in design is likely to find them ready and willing to trade in a year-old car for the latest thing in streamlining. It is this group that the industry is hoping will enable it to sustain activity through the normally dull months.

In favor of the plan it may be said that doubtless it will afford some stimulus to sales in those sections where weather conditions are mild throughout the winter. Also, production problems should be well ironed out and dealers well stocked in ample time to meet the heavier spring demand, thereby avoiding sales losses through inability to make prompt delivery. Should the plan succeed it will have an important bearing on seasonal variations in other industries which are more or less dependent upon the automobile industry. If it doesn't the automobile industry has little or nothing to lose. In the final analysis, the important point is how many cars can the industry sell next year, in season or out.

With the approach of the new season the automobile industry is unanimous in voicing its perennial optimism and it is being freely predicted that total output will reach 4,000,000 vehicles. One has to go back to the hectic days of 1929 to find a comparable figure. In that year total production of cars and trucks was 5,621,715 units, while 1930 output totalled 3,510,178 units. In the circumstances, one might well ponder the soundness of current predictions and liberally discount them as being inspired by preseason ballyhoo. To what extent then, is this enthusiasm



throughout the industry backed by facts and probabilities.

In justice to the automobile industry, it must be admitted that it has scored a greater measure of recovery than any other major industry and since 1932 the industry has not only predicted great things for itself, but it has delivered the goods. Full credit must be given to the industry for leading the recovery of general business from the throes of depression. Conceding, therefore, the demonstrated vitality of the industry and the weight of the experience which it has gained during the past three years, one is compelled to admit the possibility that early enthusiasm may more closely approach realities than is generally true of such industrial prognostications.

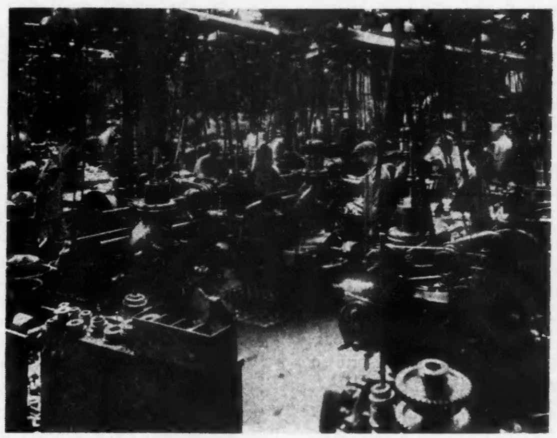
In the first eight months of 1935 the total production of passenger cars and trucks fell only 35,000 short of the 3,000,000 mark and should production in the last four months of the year be no greater than for the same period of 1934, earlier predictions of 3,500,000 units for 1935 will be exceeded by a comfortable margin. Allowing for the added impetus imparted to production by the earlier introduction of new models, output for the full year may approach the impressive figure of 3,700,000 units. Total production in 1934 of 2,869,963 units was passed this year by the third week in August and it is a safe estimate that 1935 output of cars and trucks will be the largest since 1929. Judged by any standard this is a real achievement and brilliant recovery.

While it was generally anticipated at the beginning of the year that the industry would do a larger volume of business in 1935, it was doubted that profits would experience a corresponding improvement. The reports of General Motors and Chrysler, therefore, came as a pleasant surprise. General Motors, in the first six months, had net earnings of $83,729,838, with the equivalent of $1.85 a share for the common against $1.51 in the same period of 1934. The company showed a ratio of net earnings to sales of 15.2 per cent in the second quarter, against 13 per cent a year ago, and 14.1 per cent for the first six months as compared with 13.4 per cent in the like period of 1934. The June quarter for Chrysler was the best from the profits standpoint in the company's history, with profits equal to $2.19 a share and for the six months the company earned $4.31 a share on its stock. In the first half of last year Chrysler earned $1.88 for its stock. The improvement in Chrysler's profit margin was even more pronounced than in the case of General Motors. In the second quarter, the ratio of Chrysler's net profits to its dollar sales was 6.5 per cent against 3.6 per cent last year and the ratio for the first six months of this year was 6.3 per cent as compared with 3.5 per cent a year ago. For the full year Chrysler may earn between $5 and $6 on its stock, which would compare with $2.19 in 1934, while earnings of General Motors should approximate $3, against $2 last year. Other manufacturers made less favorable showings. Although Packard came out of the red and Nash bids fair to reduce its deficit.

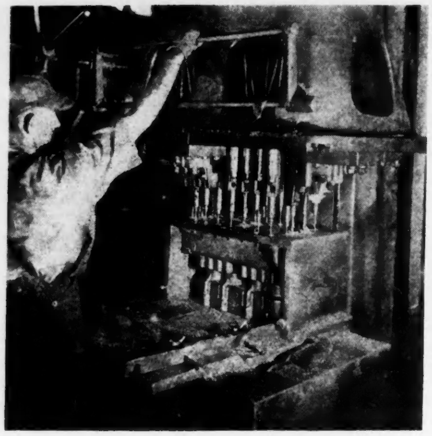
Confronted with the rapidity with which the automobile industry outstripped general business, one might well reason that some tapering-off is due and further recovery in the industry is more than likely to be at a slower pace. The soundness of this line of reasoning cannot be denied, for if we ignore the abnormal activity of the feverish years when the late boom was reaching its peak and compare the current position of the automobile industry with average production and sales over the 1923-1927 period, it can be truthfully said that the recovery to normal in the motor industry is virtually an accomplished fact. Against this must be weighed the fact that during the years of depression replacement sales dropped appreciably below normal and a large potential demand accumulated. The extent to which this stored up demand has already been satisfied and the possible effectiveness of it next year provide the chief factors in the automobile prospect at this time.

Some idea of the importance of the replacement market may be gleaned by the fact while there were a number of people who purchased cars for the first time in 1934, the replacement market last year absorbed practically all of the new cars sold. It is generally accepted that the average life of an automobile is about seven years, although the increasing tendency in late years to continue operating cars which otherwise might be considered obsolete has resulted in an increase in the average life to 8¼ years. At the end of 1934, there were 23,400,000 motor vehicles in use. Of these more than 38 per cent were from 4 to 6 years old, while about one-third had been in operation seven years, or more. This means that at the end of 1934, there were 7,800,000 cars practically ready for the junk heap, while assuredly some important portion of those owning cars from 4 to 6 years old—9,000,000—are new car prospects. With further reference to the latter group, it is significant that of the total cars in operation at the end of last year some 16 per cent or about 3,700,000 were 1929 models and by the end of this year, these will be classified as obsolete.

It is of particular interest to note that in 1933 and 1934, the number of cars actually junked totalled 3,360,000 units, scarcely less than total production indicated for the current year. All of which may be accepted as evidence that the automobile industry can count on a substantial



replacement demand to sustain production and sales. Even if generous allowance is made for statistical error, the possibilities would remain such that an estimate of 3,750,000 vehicles for 1936 would appear quite reasonable.



Of course, it does little good to cite obsolescence and deferred demand unless these factors can be supported by the willingness and ability of the public to buy. It is safe to assume that the automobile has lost none of its boom-time popularity. Indeed it has come to be regarded by the great majority of owners as a virtual necessity—not a luxury. Doubtless everyone who reads these lines knows of more than one instance where an automobile owner has even denied himself necessities in order to maintain his car. Others have lost no time in purchasing a new car as soon as they felt that their jobs and income were more secure. The automobile industry has keenly sensed this psychology and has left no stone unturned to capitalize it to its advantage.

The industry has seen to it that the automobile buyer, year in and year out, has been given more and more value for his money. Cars have been made more beautiful, faster and more comfortable—all at prices which would have been regarded as impossible five or six years ago. Motor companies have made it possible for the buyer to finance purchases with the minimum of delay and red tape. And the industry has reaped the benefits of its foresightedness and has every opportunity to continue doing so.

What has been said of obsolescence in passenger cars is also true of trucks. Judging from the age and appearance of many of the commercial cars one sees on the highways today, it would seem that the life of a truck may be prolonged indefinitely. But it is quite apparent that the truck owner, encouraged by any improvement in his business, is just as eager to replace worn out equipment as the man with 1929 sedan. Stimulated by the increased industrial tempo this year, the sale of trucks and commercial vehicles totalled 305,306 units in the first seven months and it would require a volume of sales in the remaining five months no greater than in the same months of last year to bring the total for 1935 up to the best levels since 1929. In any event there is little doubt that truck sales for the full year will pass the half-million mark. Despite this noteworthy improvement, continued replacement demand accumulated through the depression years can be counted on for some time to come.

In evaluating the motor prospects for 1936, the foreign market, while of subordinate importance, is nevertheless a prominent factor. Recent estimates place 1935 exports of cars and trucks at 535,000 units which, if realized, would represent a gain of 100,000 over 1934. The prestige enjoyed by American cars and trucks throughout the world is firmly established. Hence, the ability of the industry to sell more than half a million cars abroad, despite tariffs and other arbitrary trade barriers. The sizable gain in exports this year is credited to the reciprocal trade policy of the Administration, resulting in reduced tariffs in some 60 countries, and encouraged by current achievements the industry is predicting a further gain next year of from 20 per cent to 25 per cent. However, any forecast of foreign sales, for the present at least, must be tempered not only by the acute economic conditions which still exist abroad but by the grave uncertainties arising from the threat of war. Of course more than half of the motor exports go to South American countries but all things considered, it would be unsafe to conclude at this time further than the industry may count itself fortunate if it succeeds next year in maintaining the current level of export business.

The farmer is currently one of the most important customers of the motor industry reflecting largely the greater measure of increase in his income as compared with the city and factory worker. In 1934 retail sales of passenger cars on farms and in small towns registered a substantially larger gain than those in the larger cities and it is a safe assumption that this trend has been continued in the current year, although the evidence of sustained industrial activity suggests that the gap between the two groups may be narrowed somewhat. Even if one concedes the artificial character of the factors mainly responsible for the greater purchasing power of the farmer, the fact remains that many farmers have more actual cash than for some years past and it has been generally estimated that higher prices and Government bounties will produce a gain of some $300,000,000 in farm income this year. In the circumstances, the motor industry is banking heavily on enlarging the sale of trucks and passenger cars in rural territories and their hopes appear to be well founded.

With the imminent appearance of new models, the inventory position of dealers is found to be unusually good. According to estimates, less than 160,000 cars remain unsold in dealers' hands. Not only have stocks of cars on hand been greatly depleted but stocks of used cars likewise have been appreciably reduced. The used car situation has long been an onerous problem in the motor industry and the healthier condition now current in this division makes a decidedly favorable contribution to 1936 prospects. It would appear, however, that the improvement has been at the expense of the dealers, for the latter have so far failed to share proportionately in the recovery of the industry. While many cars (*Please turn to page 672*)

Changing Capital Structures

By Edwin A. Barnes

FINANCING through the flotation of new issues this year shows every indication of outstripping any previous year since early in the depression. New issues sold during the month of September totalled $365,494,000 compared with only $47,281,260 for the same month a year ago. New flotations in the first nine months of this year aggregated $2,693,912,500 as against $1,197,995,237 in the same period of 1934.

The great bulk of new corporate financing this year has been for the purpose of enabling companies to avail themselves of the opportunity afforded by market conditions and low interest rates to refund outstanding bonds and preferred stocks carrying a high coupon or dividend.

While the number of companies which have sold securities for the purpose of raising new capital are but a handful, as yet continuing business improvement is virtually certain to find many other companies ready and willing to undertake new financing. However, for some months yet, large scale refunding operations are likely to dominate. This condition, while a potential advantage to common stockholders on the one hand, emphasizes, on the other, the risk of holding high coupon issues selling appreciably above their earliest call price.

The accompanying list of companies which have recently undertaken, or have proposed, new financing is intended to be representative, rather than comprehensive. It serves to illustrate the points made above and give a general idea of the manner in which corporate structures have been altered and important savings in interest and dividend payments have been effected by new security flotations.

Some Recent Changes in Capital Structures

Company	Nature of Financing	Purpose	Senior Capitalization (A) Before	After	COMMENTS
Amer. Smelting & Refining	$25,000,000 1st 4s, 1950 and $5,000,000 5-year notes	To retire $36,383,300 5s, 1947	36,383,300	30,000,000	Interest charges and funded debt reduced. Should permit resumption of common dividends.
Loose-Wiles Biscuit	42,000 shares 5% preferred stock	To retire all 7% preferred at 120	3,500,800*	4,200,000*	Reduction in dividend requirements will add about 7 cents a share to common earnings.
Cudahy Packing	20,000,000 1st 3¾s, 1955 5,000,000 deb. 4s, 1950	Retire $10,602,500 5% debentures and $6,421,200 1st mtge. 5s, Add'l working capital	17,201,700	25,000,000	Charges increased about $100,000 annually, but new capital obtained at low cost.
Consolidated Oil	$75,000,000 1st lien bonds	Retire $48,781,700 6½%-7% bonds, $13,212,980 8% preferred stock and increase working capital	61,994,680	75,000,000	Large savings in interest and dividend charges important from stockholder's standpoint and additional working capital will permit acquisition of new leases, etc.
National Steel Corp.	$50,000,000 1st 4s, 1965	Retire $38,850,000 5s, 1956 additional working capital	39,216,266	50,000,000	Ability of company to finance on a 4% basis reflects high credit standing. Part of funds will be expended on additions to plant.
Phillips Petroleum	$15,000,000 serial notes 1½%-3¾%	Retire all bonds	19,891,000	15,000,000	Funded debt supplanted by note issue, with an important savings in interest charges.
Commercial Investment Trust	250,000 shares $4.25 preference stock	Working capital	32,507,100	57,507,100	Company's need for additional working capital, reflects record-breaking volume of current business.
Swift & Co	43,000,000 1st 3¾s, 1950	Refund $23,703,500 5% notes and $19,758,500 1st 5s	43,462,000	43,000,000	Savings in interest will amount to more than $560,000 annually.
Detroit Edison	$49,000,000 Gen'l 4s, 1965	Refund an equal amt. of 5% bonds	134,000,000	134,000,000	Annual interest requirements reduced from $6,450,000 to $5,960,000 annually.
Reynolds Metals	$5,000,000 5½% preferred	To provide funds for expansion	None	5,000,000	Company's expansion into building material industry enhances future possibilities.
Southern California Edison	$30,000,000 1st & Ref. 4s, 1960 27,500,000 2½%-3½%-3¾% deb's, 1936-45	Retire $29,300,000 1st & Ref. 5s, 1954 and $23,950,725 7% preferred	333,025,225	338,275,500	Total savings in interest and dividend requirements through refunding this year tota l $1,800,000 annually.
Pacific Gas & Elec	$95,000,000 1st & Ref. 4s, 1964	Refunding higher coupon issues	299,394,700	297,732,200	Replacement of high coupon bonds by new 4% bonds will result in reduction of $1,330,234 annually in interest charges.
Anaconda Copper	$55,000,000 deb. 4½s, 1950	Pay off bank loans	29,437,000	84,437,000	Company will take advantage of low interest rates to fund bank loans into long term bonds. New issue will have a large sinking fund.
Commercial Credit	$19,371,800 5½ pfd. and 114,000 shares of common	To simplify capital structure and reduce dividends on preferred	20,067,925	19,371,800	Preferred dividend requirements cut by $400,000 annually.
Pure Oil	$32,000,000 4¼ notes, 1950	Refund 5½% notes and bank loans	58,500,000	67,000,000	Refunding effects reduction in interest and paves way for clearing up preferred accumulations.
General Refractories	$3,000,000 1st mtge. 4½s, 1945	Refund 1st mtge. 6s, 1938	3,914,000	3,000,000	Interest savings amount to about 22 cents a share annually on the common and new indenture permits earlier resumption of divs.
American Rolling Mill	$25,000,000 deb. 4¼s, 1945	Refunding and new capital for construction	41,625,469	49,300,919	Financial position improved and savings in interest effected

(A) Including funded debts and preferred shares. * Preferred stock only.

World Faces Wheat Scarcity

Higher Prices in Prospect—American Farmers to Sell Short Crop in Rising Market

By C. S. Burton

THE world position in wheat has achieved a remarkable right-about-face. We have heard so much about surpluses and overproduction and about markets obliterated through economic self-sufficiency that we had rather generally come to feel that there would always be too much wheat everywhere.

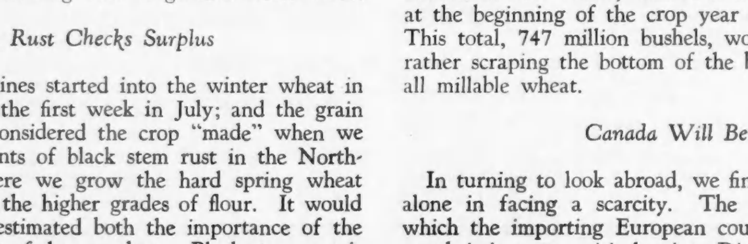
Now we are about to become a substantial importer. We do not use as much wheat, per capita, as we did some decades ago, but that is not because we have had to ration our dinner tables, but because we have had a much longer bill of fare from which to pick and choose.

Ordinarily we consume about 625 million bushels of wheat and, normally, we carry over from the old into the new crop year some 125 million bushels. Up until in July of this year it appeared that we would have enough wheat for ourselves and something over to go into world trade.

Black Rust Checks Surplus

Reapers and combines started into the winter wheat in Indiana and Illinois the first week in July; and the grain trade pretty much considered the crop "made" when we began to hear accounts of black stem rust in the Northwest, the states where we grow the hard spring wheat which millers use in the higher grades of flour. It would seem that we underestimated both the importance of the news and the amount of damage done. Black stem rust is a fungus that apparently comes out of "Nowhere" under certain atmospheric conditions, and all at once seems to be everywhere in the wheat. Do the spores float in high altitudes and drop to earth in damp, warm weather? Do barberry bushes and hedges furnish breeding places? We do not know the answers to a lot of such questions, but every wheat farmer knows what rust can do to wheat just when the kernel is filling out. Instead of the plump, hard grain of wheat, the field attacked by rust turns out a shriveled kernel of only half normal weight. Fine, fat grains of wheat run a full 60 pounds to the bushel, and the ratio of wheat into flour (4.7 bushels to the barrel of 196 pounds) is calculable and dependable. The situation is altogether different where wheat is chaffy. The miller cannot figure with desirable certainty. It takes more bushels of wheat to make a barrel of flour and premium grades must be mixed with the grist to make a satisfactory grade, such as those we all know under familiar trade names. The housewife who is old fashioned enough to do her own baking must pay more for flour, witness a current advance of 15 cents per barrel, and the large bakeries must find a way to get a little more out of the consumer for each ounce of bread in the loaf sold him.

Apparently, according to Department figures, we will have, when the threshing is all done, some 594,615,000 bushels of new wheat, such as it is. We had a carryover at the beginning of the crop year of 152 million bushels. This total, 747 million bushels, would see us through by rather scraping the bottom of the bin, perhaps, if it were all millable wheat.



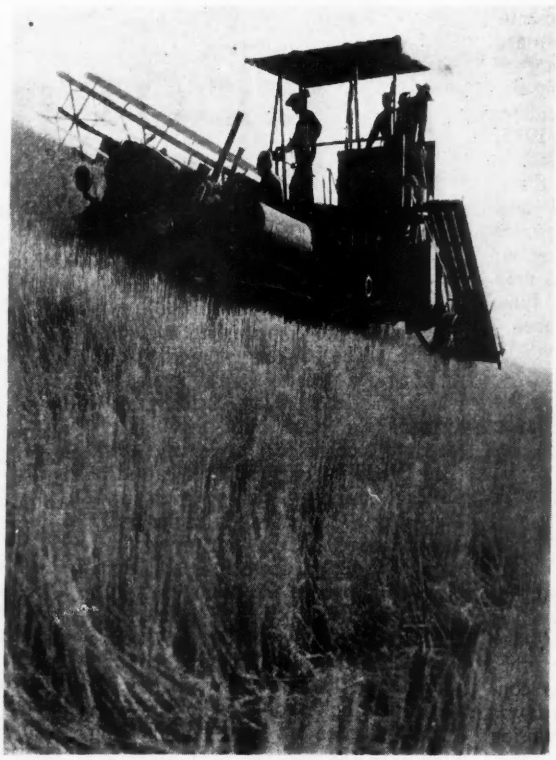
Canada Will Benefit

In turning to look abroad, we find we are by no means alone in facing a scarcity. The Argentine crop, upon which the importing European countries very largely depend, is just at a critical point. Dispatches tell of a record drought, and it may easily be that little or no wheat will go into the world markets from Buenos Aires this crop year. If such misfortune should so overtake Argentina, Canada will play a leading part in the Liverpool market. Canada has an accumulated surplus, an inventory that grows more valuable day by day. Her crop for the year ended last July (the crop year for wheat begins on the first day of August in the Northern hemisphere; in the Southern hemisphere, the crop year runs with the calendar year) is officially estimated at 290,-

541,000 bushels. The carryover at the end of the old crop year was 203 million bushels, accumulated as a result of the operations of the Canadian Wheat Pool.

The story of this pool runs parallel with that of the old Federal Farm Board, with a more fortunate ending due to blind luck, not foresight. The Canadian Wheat Pool started in 1929 with some 76 million bushels of wheat, taken over at 60 cents. Much wheat was bought to "protect the market" so that by midsummer of this year the government, which had been obliged to step in, owned 228 million bushels, at an average cost of 90 cents, counting in carrying charges. It costs on an average about 18 cents to carry a bushel of wheat one year. In July, the Canadian position looked calamitous. Liverpool price was around 68 to 70 cents. Under a compromise measure, passed before a world wheat shortage appeared a possibility, a Wheat Board is set up which fixes a minimum price for the farmer, who may sell to the Board at such figure or to the local buyer at the prevailing price. Canada thought it was in a bad jam with its wheat. Now it will profit greatly by what was and what still remains a foolish and mistaken policy of attempted control of the price of an agricultural product grown in many lands. The fortuitous outcome does not justify what went before. Canada's domestic wheat consumption runs about 110 million bushels. Adding crop and carryover gives 493 million; deducting 110 million for domestic use, Canada will have 383 million bushels surplus.

The new Canadian Wheat Law provides that at the beginning of the crop year, the Governor in Council, upon the recommendation of the Board, shall fix the minimum price per bushel, the price to stand throughout the year without regard to world price changes. The price as fixed some weeks ago is 87½ cents. With the Winnipeg price ranging between 90 and 95 cents, the Wheat Board can now look abroad with complacency.



Publishers' Photo

The Canadian position being so delimited, the trade undertakes to apply the old, iterated and reiterated admonition of Old Hutch, when he was one of the dominating influences of the Chicago wheat pit—"Watch the Argentine!"

Europe, under lowering war clouds, with crops far short of normal, the poorest harvest in seven years, is anxious as to food supplies. The best guesses from Buenos Aires,—"B.A.",—run all the way from no export wheat whatever to a possible 10 to 15 million bushels. Brazil ordinarily takes 25 millions of Argentine wheat, Colombia with other Central American countries takes a like amount, when it is to be had. European needs are estimated at 380 million bushels.

It is plain that the outlook is going to please our northern neighbor, and the more closely she studies, the better she may be pleased. Japan is the one customer which Canada may stand to lose. A strenuous effort is under way to replace Canadian wheat with wheat from North Manchuria.

The total world production of wheat for the 1934-35 crop, exclusive of Russia and China, is calculated at 3,438 million bushels, off 24 million bushels as compared with the year previous and 324 million bushels less than the five-year average (1930-31 to 1934-35), saying nothing of the deterioration in quality.

Higher prices are plainly in sight, the world is short of wheat, and if A A A philosophy holds, we should enjoy increasing prosperity. One difficulty about this which is facing the farmer in our wheat states is that he has too little surplus wheat to sell. Even so, however, he is better off than last year, as the manufacturers of farm equipment and retail merchants will testify. For in addition to higher prices for a short crop, our wheat farmers, who entered into contracts with the Department, received in rental and benefit payments during the 1935 fiscal year $98,223,175 as a part of the "gentle rain of checks." He might have been still better off, however, if he had been brought to feel that a stack yard of his own production is the real "ever normal granary" bound to bring him proper profit with patience, for then he might have had more wheat to sell along with Canadian farmers and the Canadian government; but such is not the case when he sells his birthright to bureaucracy for a benefit payment check.

The blundering mixture of spoilsmen's politics and paternalistic interference, as embodied in A A A regulations, its pretensions, its claims and the actual results, create mixed emotions of exasperation. Pointing to higher prices for wheat as though A A A attempted bureaucratic regimentation was to be credited therefor, at the same time ignoring our importations of pork—of all things under the sun. Pointing to the wholesale scatterment of rental and benefit payments and ignoring the cotton accumulated and the world markets lost; these bespeak an utter lack of simple, everyday good faith. Hiding behind the skirts of another department to avoid enforcement of the very logical potato control; if A A A is to continue its career, potato control is not only logical but inevitable. All of these deceptions are something with which the American public does not know how to deal.

We have had scandals, where official palms became all too adhesive and *meum* and *teum* became confused, we have dealt with concealment of wrong doing, but not with deception. When, as and if the time comes when the farmer realizes with whose money the A A A plays Santa in so grand a manner while we lost our export markets in wheat, cotton, lard, sophistry and the preachment of economics

(*Please turn to page* 667)

Bus Line—Greyhound Corp. Estimated to Earn About $7.50 Per Share This Year

For Profit

Back Dividends Paid Up—More Will Be

A surprising number of companies this year have eliminated entirely dividends accumulated on their preferred stocks; for the most part by cash payments, although there have been a number of instances where the elimination has been effected by recapitalization or the issuance of stock. The market rise in some of these preferreds has been really remarkable. There are, however, still many companies which, if they have not been able to eliminate accumulations are paying something; there are also many which have not yet started the process of liquidation. Among the companies with arrears still to liquidate, but which have paid something in 1935, are Aluminum Co. of America, Bethlehem Steel, Case (J. I.) Crucible Steel, Fairbanks Morse, U. S. Steel and Wheeling Steel. Among the companies most likely to commence the liquidation of back preferred dividends may be mentioned Jones & Laughlin, Pure Oil and Youngstown Sheet & Tube.

* * *

Talk of as much as $8 a share for Greyhound Corp. this year. Maybe there is some remote connection between this and the renewed pleas of the B. & O. that it be permitted to offer lower passenger rates.

* * *

The Motor Transport Law, putting the regulation of interstate common carriers in the hands of the I C C, became theoretically effective the other day. However, like the potato control law, the money to administer it was lost in the shuffle during the closing hours of the last session of Congress.

* * *

Aside from the profit possibilities, any number of complications can be foreseen as a result of any widespread popularity for the new invisible glass, which has been designed to eliminate reflection. Pittsburgh Plate Glass and Libbey-Owens-Ford are reported to have obtained licenses to manufacture the product, developed in England.

* * *

New York Central's Floating Debt

The New York Central has a floating debt of about $90,000,000 and there is a difference of opinion between the railroad's management and its bankers on the one hand and Jesse Jones of the R F C on the other. Mr. Jones wants to refund the debt with a bond issue carrying a coupon of 4% and convertible into common stock at $25 a share. The bankers contend that if they agreed to take any bonds for which the stockholders had not subscribed (the issue must first be offered to stockholders under the law) they would be engaged in the underwriting business which is prohibited. New York Central stock broke badly on the news of the controversy, although at $20 a share it is still some eight points above the year's low. The road has benefited to some extent from the business recovery, but this year's fixed charges will hardly be covered more than 90% and one wonders what the future holds for stockholders with such a burden of fixed and floating debt. If the floating debt were arranged as Mr. Jones wants and the bonds ultimately converted into stock it would increase the issue roughly from 5,000,000 shares to 8,600,000 and still further postpone the possibilities of stockholders ever receiving anything on their investment.

* * *

Recent strength in American Woolen was based on better demand and the fact that the price has been raised on a goodly variety of the company's line.

* * *

Standard Gas & Electric is to go to the cleaners under 77b, not because it is insolvent with an excess of liabilities over assets, but because it couldn't meet a $24,000,000 note maturity. Others have found themselves in trouble over I. O. U's involving a great deal less.

* * *

It was good news for the Sulphur companies when a committee of the Texas legislature voted to increase the tax only from 75 cents a ton to 90 cents; it had been proposed previously to raise it to $2.25.

* * *

British Woolworth, with a net profit last year not far short of £5,000,000, told its parent, F. W. Woolworth & Co. that it won't submit detailed financial statements as required by S E C. Here's a pretty kettle of fish—a foreign organization, operating wholly abroad, decides against submission to American laws!

* * *

Where the Chrysler Dollar Goes

Accompanying the most recent quarterly dividend check, stockholders of the Chrysler Corp. received a statement which should be of general interest. It makes the point, constantly overlooked in political circles, that big business not only takes in a lot of money, but pays out a lot. The statement said: "From 1925, through the first six months of this year, Chrysler sold more than 3,600,000 cars, trucks and other products, for which it received approximately $2,590,000,000,

Railroad—New York Central in the Red So Far in '35

and Income

exclusive of miscellaneous income from other sources. Out of this amount, the largest expenditures, nearly two-thirds of the total, were for materials and general expenses (exclusive of wages and salaries) and advertising. These expenditures took approximately $1,790,000,000, the greater part of which went into jobs and wages of workers in industries supplying the automobile manufacturing industry.

"The second largest expenditure, nearly one-fifth of the total, was paid directly to Chrysler Corp.'s employees. This amounted to nearly $490,000,000.

"There was expended for additional manufacturing facilities to care for the increased volume of business $111,000,000. This amount does not include the purchase of the Dodge properties in 1928, which were acquired in exchange for Chrysler Corp. common stock. A large part of it went for machinery, tools, dies, etc., which in turn provided work for many individuals employed by vendors of these supplies.

"Taxes took nearly $71,000,000.

"Bondholders received $84,000,000 in interest and principal on the Corp.'s indebtedness; and this amount was thus put back into circulation among the Corp.'s creditors.

"To the investors in Chrysler Corp. stock were paid approximately $79,000,000.

* * *

Texas is getting on the chain-store-tax bandwagon. The House has passed a bill calling for a graduated levy on chains—worst it can do is $750 per store per year on chains having more than fifty stores.

* * *

Big new gold reef discovered according to authoritative reports from the Rand. Sooner or later, some say, mounting supplies of gold are going to cause a slump in the metal's VALUE. Note: Value, i. e., purchasing power, is not the same as price.

* * *

Reports from Amsterdam say that Royal Dutch will not seek permanent registration on the New York Stock Exchange.

* * *

In Process of Recovery

Although the Murray Corp. of America has been somewhat slow to feel the effects of general recovery, and more specifically the recovery in the automobile industry, it is at last swinging into line. For the first six months of this year, the company reported earnings equivalent to $1.56 a share on 768,732 shares of common stock and working capital, which is still not everything that might be desired, increased well over $1,500,000. In the past it has usually been difficult for companies such as Murray to avoid losing in the second half of the year part of what they made in the first half. This year, however, the automobile industry is commencing large-scale production much sooner than has been customary and for the full year Murray should better the showing of the first six months. The company should continue to receive a good deal of business from Ford and it is rumored that it has been chosen to make the body for Ford's new Zephyr, or baby Lincoln. In addition, of course, Murray can expect to cater to other leading manufacturers such as Chrysler, Packard and Studebaker. As a speculation on the well-defined prospects of good automobile business, Murray around $16 a share is not unattractive.

* * *

If a sales tax on gasoline is held invalid because it involves "a tax on a tax," doesn't this make all taxes unconstitutional. After all, a loaf of bread or a suit of clothes is taxed literally hundreds of times, many of them violating the "tax on a tax" principle. This is too good an idea to keep to ourselves and we offer it free to anyone who can make better use of it than we have been able to.

* * *

Dividends and Prices

Another 50-cent Pennsylvania R. R. dividend is expected before the year end, on the strength of earnings between $1.50 and $2 a share. The company paid $1 in 1934 and 50 cents so far this year. Unless stockholders get as much in 1935 as they got in 1934, it won't look much like the talked-about return to prosperity.

* * *

Talking of dividends, American Smelting & Refining has just voted to clear up all the back dividends on its second preferred stock. Such being the case, the common may not be so far from distributions as was thought.

* * *

And, talking of American Smelters, copper, whose price rise was said to be overdone when the metal hit 8.50 cents, has gone a good deal higher. War may put it higher yet.

* * *

Five brokers report that capital exported from Europe because of war fears has been going into American securities and has had a steadying influence on the market; six brokers report that selling for account of foreigners, fearful of war, has been one of the principal factors in the recent recession.

How Good Are the Coppers?

Foreign Demand at New High—Domestic Consumption Increasing—Long Range Price Outlook Favorable

By Ward Gates

COPPER is a "managed" metal, within limits; and there is nothing in its history of wide price fluctuation to suggest that over the long run its management will be any wiser or more successful than that which has come to varying degrees of grief in various other attempted commodity controls, formal or informal, domestic or international.

But, quite apart from management, from agreements or tacit understandings, the basic position of copper is improving and has been for some time—since 1932, in fact—and this is the important thing. Considering the many uses of the metal and the fabricated products made largely from it, its improving trend is no more mysterious than recovery in steel or any other basic material when the underlying economic tide has turned for the better after long deflation.

Europe Dominates Picture

Lest one get a wholly false perspective, however, let it be emphasized at once that copper is not a domestic business but an international business, that recovery in foreign demand has far outrun improvement in domestic demand and that foreign buying accounts mainly for the restoration of profits to American companies over the past year or eighteen months and to the present gradually rising trend thereof.

Undoubtedly military preparations in various foreign countries have played an important part in the international copper scene, but exactly what part is not known—for reasons not hard to understand. Yet this special influence without a doubt has been given exaggerated emphasis, for the evidence of the past three years clearly indicates that it is distinctly secondary to improved industrial demand.

What is the evidence? Well, to begin with, foreign demand and notably European demand—which is the great bulk of total foreign demand—was far better maintained throughout the depression than was demand in the United States. In 1929 copper consumption in this country was 1,119,386 tons and in Europe was 833,670 tons. By 1932, bottom year of world depression, domestic consumption had dropped to 294,000 tons or about 27% of the 1929 total, while European consumption declined only to 619,933 tons or approximately 74% of the 1929 total.

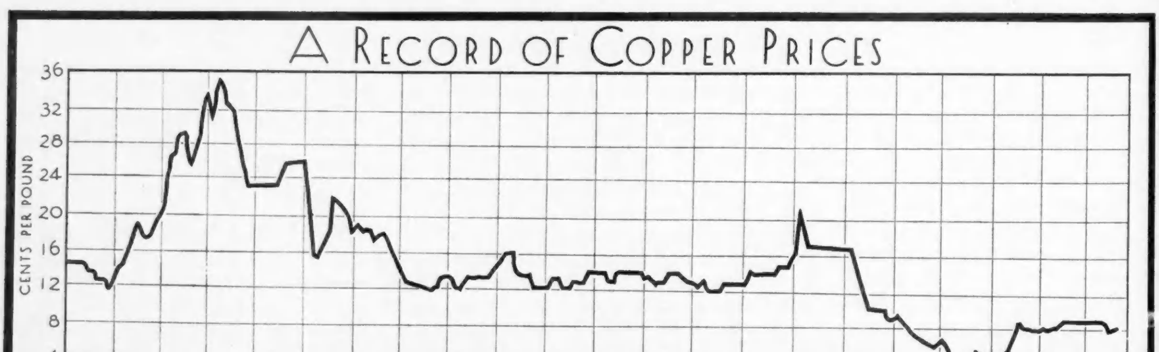
There is no reason whatever to suppose that this relatively well maintained European demand between the years 1929 and 1932 represented war preparations in more than minor degree. What happened was simply that most European nations, and particularly Great Britain and the Scandinavian countries, neither had had a wild boom like ours, nor between 1929 and 1932 had a depression anywhere near the scope of that in the United States.

Of course, recent years have seen relatively large expenditures for army and naval equipment in most major countries, not excepting our own. This certainly has not been a dominant influence on the domestic copper situation and it is probable that it has been secondary in the foreign market, with the exception of Italy and possibly that of Germany.

During the first five months of this year, the latest figures available, Italian consumption averaged 8,605 tons per month, in comparison with a monthly average of 5,242 in 1934 and 4,992 in 1933. Over this period one can not find evidence of sufficient Italian economic gains to account for this showing. The enlarged total, however, amounts to less than 9% of foreign consumption.

Military Uses?

German consumption for the first six months averaged 18,071 tons a month, against 18,199 in 1934 and 14,158 in 1933. It is well known that the German army and a considerable navy have



been rebuilt, but there has also been a substantial German industrial expansion whether artificial or not. Japan in the first six months of this year consumed a monthly average of 11,509 tons, against 9,372 in 1934 and 6,875 in 1933; but it must be noted that Japanese industrial production for some time has been above the 1929 average. Russian demand is known to have increased, although the statistics are not available, but it remains a very small percentage of the total and, moreover, that country's hot-house industrial expansion undoubtedly has had more to do with her copper demand than the building of the Soviet army. Finally, Great Britain, second to us among all nations in use of copper, consumed an average of 20,731 tons in the first seven months of this year, against 18,425 in 1934 and 12,092 in 1933. Thus Britain's gain in consumption since 1933 has been more than twice that of either Italy or Germany and nearly twice that of Japan. Industrial recovery, active construction and expansion of utility services account predominantly for this British showing.

Whatever the reasons, European copper consumption in 1934 exceeded the 1929 total and, on 1935 evidence to date, will set a new record high this year. For some time, despite a gradual upward trend in American consumption, this market will remain the backbone of the business of the American copper companies, partly on an export basis but more largely on copper from low-cost American-owned mines in South America.

The foreign price of the metal has advanced 82 points since August 1 to a present quotation around 9.05 cents per pound c. i. f. European base ports. This price provides a reasonable margin of profit on low-cost American, South American and African copper. It need hardly be said, therefore, that the current situation presents no test of the longer effectiveness of the present international agreement on production control. Such controls usually run into trouble when demand recedes or price raising is over-done. When the latter happens it is surprising how much copper can suddenly appear in the market from here, there and everywhere.

Though less exciting than the foreign outlook, the domestic copper prospect is also favorable—more so for the longer term than for the next few months. The essential facts here are that domestic consumption is improving although it is still seriously depressed, that the domestic market is protected behind a tariff of 4 cents per pound, and that the great bulk of domestic production is in the hands of a small group of large companies, namely Anaconda, Kennecott and Phelps Dodge Corp.

For further perspective, domestic copper just before the outbreak of the World War was slightly under 12 cents a pound, soared to 36 cents in less than three years, dropped again to 12 cents by 1921, then for eight years fluctuated between 12 and 16 cents, in 1929 was briefly shoved up above 20 cents and then nosedived almost to 4 cents in 1932.

Approximate Distribution of Domestic Copper Consumption

	1929 %	1930 %	1931 %	1932 %	1933 %
Electric Manufacturers	22.5	23.1	24.9	24.4	21.6
Telephones & Telegraphs	14.1	12.7	10.7	7.3	4.3
Light & Power Lines	10.9	13.6	13.0	13.3	7.4
Wire & Wire Cloth	9.9	10.7	9.2	9.2	12.7
Automobiles	11.9	9.1	9.4	8.7	11.8
Buildings	5.0	5.2	6.9	7.8	8.6
Castings	6.8	5.7	5.5	7.3	8.6
Radio Sets	1.3	1.3	1.5	1.9	2.7
Automatic Refrigerators	1.4	1.5	2.0	2.4	2.7
Manufacturers for Export	6.4	7.4	7.4	6.1	3.7
All other	9.8	9.7	9.5	11.6	15.9

(Figures of American Bureau of Metal Statistics).

The rebound of general economic recovery shot it back up to 8 cents promptly in 1933, after which, under the protective wings of the Blue Eagle and a code limiting production to 20% of capacity, it was boosted to 9 cents, a reasonable figure on the whole. For no apparent statistical reason, save natural hesitation on the part of buyers, termination of the code by Supreme Court decision was followed by a decline to 8 cents and a further temporary drying up of the market.

Thereafter, not many weeks were required to convince consumers that the price was more likely to advance than decline further. Buying reappeared with a rush and, in fact, for a time reached record-breaking daily and weekly proportions. The price went back up, first to 8½ cents and then to 9 cents; or precisely where it was when the N R A decision gummed up the picture. Domestic sales during July, August and the first half of September exceeded 250,000 tons.

That is a lot of copper, amounting to more than double the amount of the metal that probably went into actual consumption during that period. It was not all forward buying, however, for some of it represented weeks of deferred demand, marked by depletion of stocks, over the period of market stagnation following the N R A decision; yet enough of it was forward buying to bring the market to a virtual standstill immediately the price had returned to 9 cents—which means that the bulk of the 250,000 tons sold between July 1 and September 15 was sold at 8 or 8½ cents and none at 9 cents, a fact that will necessarily bear some relation to third and fourth quarter profits for the copper companies.

As for actual domestic consumption the estimate for the first nine months is approximately 354,000 tons; and since second-half consumption probably will better that of the first half materially, it appears likely 1935 consumption will equal or exceed 485,000 tons, in comparison with 417,000 in 1934, 381,726 tons in 1933 and 294,000 tons in 1932.

In this statistical setting, marked by a substantial decline in stocks over the past year, there would seem to be ample support for maintenance of the 9-cent price during the rest of the year, even though buying will not soon again assume the rush proportions of the July-September period. With the 20% of capacity production limit discarded, however, current production is increasingly active and it remains to be seen whether it will run ahead of requirements sufficiently to present new difficulties.

Naturally, any discussion of the price outlook must be qualified with regard for a possible European war of important proportions. In that event demand—actual and speculative—would most certainly increase and take price with it, for ways and means always have been found to circumvent embargoes. On a strictly economic, domestic basis we do not see any justification for higher than 9-cent copper for at least some months to come. Regardless of the concentration of the great bulk of domestic production in a few companies, any further price increase not firmly supported by actually increased consuming demand would almost certainly prove a boomerang, bringing out sufficient copper from small independent mines and other

(Please turn to page 671)

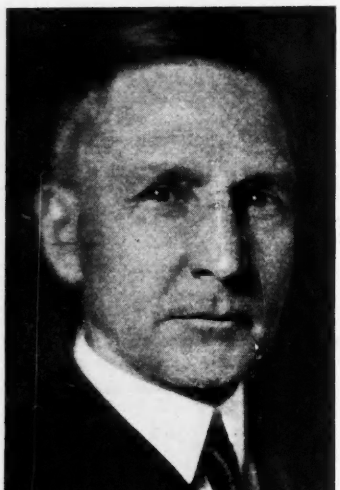
Revival Has Only Started

Company That Kept Out of the Red When Building Was at Lowest Ebb Now Stands to Benefit Increasingly as Residential Construction Gains Volume

By J. C. Clifford

THE difference between widespread public recognition and its lack was brought out by the depression to be very generally the difference between profit and loss. Look up the record: see how companies whose product or service is familiar to everyone compare with companies whose product or service is not constantly in the public eye: compare the showing of American Telephone & Telegraph, the big cigarette companies, the chewing gum companies with other organizations, just as important—United States Steel, Bethlehem Steel, the railroads and the coppers. It was the monopoly, or the producer of a trade-marked article in every day use, that made by far the better depression showing and rare indeed is the company without these advantages which escaped a liberal use of red ink in its financial statements.

What special advantages, advantages of natural resources or advantages of management were there that enabled the United States Gypsum Co., almost alone among the caterers to construction, to make money even in 1932? The average man in the street never heard of Gypsum, despite the fact that he probably brushes against something the company manufactured every day of his life. Strange that we should know the processor of so much that we eat, drink and smoke, and almost nothing of the hand behind the buildings in which we live.



Sewell Lee Avery
President

Gypsum: What It Is

Gypsum is a common mineral. Technically, it is hydrous calcium sulphate —written so: "$CaSO_4 2H_2O$", by the chemist. The raw material is mined or quarried while the manufacturing process consists of crushing, grinding and heating to drive off the water. By using sufficient heat, all the water may be driven off, obtaining the anhydride. It is, however, the semi-hydrate that is required, so the calcination is carried out at such a temperature that only some 75% of the water is lost. This produces a white substance which may be pulverized (plaster of paris). It readily recombines with water to form a hard cement. The advantageous characteristics of the cement are its light weight, good insulating properties and its resistance to fire. When subjected to fire, the heat must first drive the water from the material and so long as this is steaming a temperature no higher than 212° can be transmitted through the substance.

Finished gypsum is produced in a number of forms. There are various gypsum stuccos and plasters, finishing plasters and colored plasters; it appears in various board, lath and tile forms; it is used for partitions, roofing and floors. In addition, gypsum finds application in foundry cores and for dressing land. It will be noticed, however, that gypsum is essentially a building material.

The United States Gypsum Co. makes all these and other gypsum products; it is believed to supply as much as half the country's gypsum requirements. It would have been quite unnatural, however, for the company to confine itself solely to gypsum, for so many other things are logically complementary. Thus, we find United States Gypsum a large manufacturer of metal lath and expanded metal: indeed, it is thought to make about 25% of such lath used in the country. Nor does this complete a line which now includes coal doors, metal sash and arches, water paints, calcimines, sizes and glazes, asphalt shingles, roofing and felts. In addition, the company designs and installs sound insulation systems.

Extensive Properties

United States Gypsum's properties are most extensive. Some are owned and operated, others are leased and operated. In all, they total more than 15,000 acres and include quarries, mines, crushing plants, mills and manufacturing plants, scattered throughout this country and in Canada. Supplementary property comprises tenements and warehouses. The company has its own steamers, tugs, lighters and barges. Raw material reserves are estimated to be such that the company need have no serious worries on this score for a hundred years.

Since the formation of the present company in 1920—originally formed in 1901 as a merger of 35 units—the history of the United States Gypsum Co. has been one of constant expansion. It has gone along picking up a quarry here, a wall-board manufacturer there, a metal lath producer, a roofing company, a felt mill and so on. Right up to the present time there has been no let up in these acquisitions; the insulation board business of Stewart Inso Board in St. Joseph, Mo., was taken over last March.

Sound Expansion

So many companies which pursued a policy of expansion in the years prior to the depression proved to have done so, not wisely, but too well. Numerous instances may be cited among motion picture, chain store and communication concerns. However, the great part of Gypsum's expansion may be shown to have been carried out on a sound basis. The acid test for this point is the trend of per share earnings; if this go down during the period of expansion, it is prima facie evidence that the new properties are not being taken over on a basis comparable with the original business. On the other hand, if the trend of per share earnings is upward during the period of expansion, it strongly supports the conclusion that the acquisitions are being of real benefit to the parent organization. The general trend of the industry, of course, must be taken into consideration, especially when it has fluctuations as large as those in construction.

In the case of the United States Gypsum Co. per share earnings (adjusted for stock dividends) moved steadily upward between 1920 and 1925, while for 1926 the $10.32 a share which was reported was but a few cents under the all time peak of 1925. Although this corresponds to the trend of building activity, and therefore, it is impossible to say how much of the betterment registered by the company was due to increased activity in the industry to which it caters and how much to well-planned expansion, it shows at any rate that there was nothing very wrong in what the company was doing.

Following the peak year, 1925, Gypsum's earnings drifted downwards. This, too, followed the trend of construction. But why did they not disappear altogether in 1932 when construction practically stagnated? Might one hazard a guess that the new lines taken on enabled an efficient management to obtain a greater share of what building *was* being done? This is the only reasonable explanation when Gypsum's showing is contrasted with that of other building material manufacturers which, almost without exception, ran deeply in the "red."

From the low point of 86 cents a share in 1932, earnings have shown moderate, albeit steady, improvement. In the following year $1 was reported, while in 1934 earnings were the equivalent of $1.35 a share of common stock. This year further gains were made, the first six months showing a balance for the common stock of $1.14 a share, compared with 73 cents a share in the first six months of 1934.

The United States Gypsum Co. is owned exclusively by its preferred and common stockholders. Outstanding with the public, there are 78,222 shares of 7% cumulative preferred stock of $100 par value, and 1,191,412 shares of common stock of $20 par value. In addition, there are 9,055 shares of preferred and 60,409 shares of common in the company's own treasury; of the common 14,351 shares are optioned to employees under a plan which has been approved by the stockholders. Concerning working capital, the company need have no worries; at the end of last June current assets amounted to more than $21,000,000, of which more than $14,000,000 was in the form of cash and marketable securities. Current liabilities were well under $2,000,000.

Common stockholders have received cash dividends in every year since the formation of the company in 1920. Moreover, there have been numerous cash extras and extras in stock; also one issue of rights whose price fluctuated between $14 and $18.50. Anyone buying the stock as a long-term investment at its average price of $20 a share in 1921 never saw his commitment decline enough to even approach what he paid for it—not even in 1932 when the stock then outstanding barely escaped selling in single figures.

The Management Factor

A great deal of the credit for Gypsum's progress during good times and the manner in which it has resisted the bad must be given to the company's president, Sewell Lee Avery. He joined the previous Gypsum organization in 1901, became its president in 1905 and has held that position ever since. He has dominated the company; indeed, it was his ability to hold the enterprise on a sound, conservative course which led the bankers of the company to seek his services in rebuilding and remodelling another concern in which they were interested. Thus it was in 1931 that Mr. Avery achieved charge of Montgomery Ward and now at 61 he is busy putting the finishing touches to the rescue of a company, which found that during the boom years it had been among those which had expanded not wisely but too well. Never relinquishing his grip on the affairs of the United States Gypsum Co., Mr. Avery's rescue of Montgomery Ward was a big job. This important retailer had opened literally hundreds of stores between 1926 and 1929 without realizing that department stores must be run by trained department store men. Moreover, a number of sites had been poorly chosen. The whole business was in a mildly chaotic state before the big crash came and when this happened it became completely chaotic. The situation was almost desperate when Mr. Avery was asked to take charge—a

Consolidated Balance Sheet of United States Gypsum Co. and Subsidiaries

As of June 30, 1935

ASSETS		LIABILITIES	
*Land, buildings, equipment, etc.	$38,418,464	Preferred stock	$7,822,200
Cash	8,157,606	†Common stock	23,828,240
Accts. & notes rec. after res.	3,649,745	Accounts payable	829,396
Market. securities	5,901,989	Accrd. payrolls, etc.	196,216
Inventories	3,530,071	Federal taxes, etc.	357,481
Empl. stk. pur. contr.	5,576	Dividends	434,742
Dep. for ins. res.	245,513	Contg. & other res.	1,147,347
Miscell. secur.	25,798	Paid-in surplus	5,831,447
Miscell. receivables	35,370	Earned surplus	20,463,641
Deferred charges	940,578		
Total	$60,910,710	Total	$60,910,710

*After depreciation and depletion. †Par $20, and excludes treasury shares.

NET INCOME

1934	1933	1932	1929	1926
$2,155,369	$1,738,927	$1,599,415	$5,102,305	$8,375,747

deficit of almost $9,000,000 was reported for 1931. In the following year the deficit was less, in 1933 there was a profit of more than $2,000,000 and in 1934 the company began to pay off the dividends that had accumulated on its preferred stock. While the upturn in general business undoubtedly played an important part in the improvement, it was by no means the sole cause and Montgomery Ward's stockholders have little reason to begrudge Mr. Avery his $100,000-a-year salary and his option to buy 100,000 shares of stock as $11 a share.

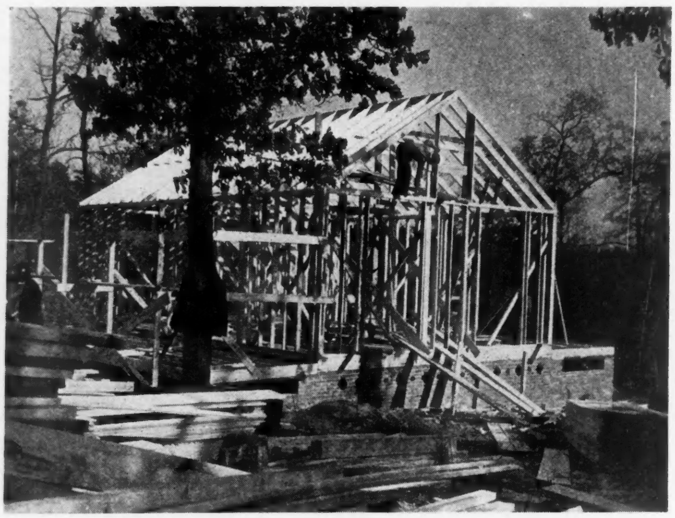
Prospects

This has been something of a digression, but corporate management is a hard thing to judge and it is not often that one is given as good an opportunity to appraise it as in the case of the United States Gypsum Co. Speaking now of Gypsum's prospects, these, it must be understood, are bound up with the prospects of the building industry; no matter how good the management a company cannot be expected to attain real prosperity while the industry to which it is chained stagnates. Today, despite the betterment that has certainly taken place in construction, the business is far from what it was in the twenties. It is on the chances of its getting there, or doing even better, that Gypsum's prospects hinge.

Taken as a whole, building activity currently is hardly at 40% of a reasonable normal. "Normal," of course, is difficult to define, for it is a changeable point, depending upon a great many factors. However, despite the valid objections to the term, it is used to illustrate the indisputable fact that the greater activity in construction visible this year could go a great deal further, given favorable ground in which to grow. The demand which has been pent-up for lack of purchasing power is gradually becoming an effective demand as general prosperity increases. Not only are the people becoming possessed of more money in the ordinary course of greater business activity, some of which is finding its way into construction, but the Government has poured, and continues to pour, literally billions into building.

The barring of foreclosures by offering the owner of the mortgage United States bonds for his money prevented complete demoralization of real estate values. Then, with the base firm, the activities of the Government-sponsored National Mortgage Associations and as a result of the free use of the Federal guarantee on loans, construction has at last got under way. A recent investigation by public and private authorities indicated that there was at the present time a shortage of at least 600,000 homes in the United States. The Federal Home Loan Bank Board points out that: "The large latent demand for building activity, represented by heavy depreciation of existing properties and the need for rehabilitation, maintenance and modernization, is a basic part of the future outlook for the construction industries." Perhaps, however, the most significant concrete evidence that the construction outlook is bright lies in the fact that over the past year or so rentals throughout the country undoubtedly have firmed. As long as it is possible to rent a great deal cheaper than one can own, what might be termed the "technical position" of building is not good. This has been the case for some time now, but the gap is narrowing.

Under such conditions one can hardly see other than a bright future of the United States Gypsum Co. The company must participate in building improvement, no matter where it should occur, nor the nature of the betterment; it will, however, be particularly benefited by the residential division and this is exactly the division now showing by far the greatest gains.



Gradually Accelerating Rate of Home Building Offers Broad Outlet for Gypsum's Products

The company, moreover, has been widening its line, so that it is now in a position to obtain a greater share of the building dollar than was formerly the case.

Appraising the Stock

As an example of what actually is being done, it is to be noted that for the week ended September 28, an all-time high of $14,600,000 worth of business was done by private lending institutions under the Federal Housing Administration's Modernization Credit and Mutual Mortgage Insurance Plans. Since the beginning of the program in August, 1935, more than 444,000 loans have been made totalling $166,000,000. This sum, of course, does not represent the entire value of the work done, for the loans have stimulated much private spending. The Federal Housing Administration estimates that property owners have spent in cash during August and September a sum not far short of $900,000,000.

This modernization and improvement which is being carried on all over the country is exactly the field into which the United States Gypsum Co. best fits. For the most part it involves partitioning, cellar renovation, or a roofing, plaster or stucco job, to all of which the company caters.

Nevertheless, despite all that can be said of Gypsum's bright prospects, is it not true that $70 a share is too much to pay for the stock of a company that in all likelihood will report earnings this year equivalent to barely $2.50 a share? Such a price is not far from thirty times earnings. As for the return on the capital involved, the regular annual dividend of $1 (enhanced by only one extra of 25 cents so far this year) gives an almost ridiculously small yield. That the stock is no bargain at the moment is clear. This, however, is less important than whether the stock has discounted its valid near-term prospects. With earnings, say of $5 a share, $4 of which was being distributed to stockholders, Gypsum would be considered cheap at its present price; with earnings even of $4 and paying a dividend of $3, the issue might well be considered reasonably priced. And this is by no means an impossible showing even for next year.

Preferred Has Speculative Attraction

Accumulated Back Dividends Could Be Paid Off with Continuance of Steel Activity

By WILLIAM E. MUNROE, JR.

DURING the past year preferred stocks carrying accumulated dividends have provided one of the most profitable investment vehicles. As trade recovery has assumed more convincing proportions, many companies have reached a position where earnings have permitted the resumption of preferred dividends and many accumulations have been slowly but surely whittled down. A number of companies, in fact, have succeeded in fully discharging accumulations. Obviously a discriminating choice of such issues has permitted investors not only to acquire potential income at a substantial discount but the appreciation in value has resulted in a worthwhile profit.

There is, however, a sizable group of companies which have not as yet shared fully in the recovery and as a consequence have been compelled to let preferred dividends accumulate. This state of affairs, however, may result from nothing more serious than the fact that the nature of company's business is such that it will be a later rather than an earlier beneficiary of industrial recovery. Such a company is Jones & Laughlin Steel Corp.

Fourth in Steel Industry

Jones & Laughlin is credited with being the fourth largest unit in the domestic steel industry, with facilities capable of turning out about 3,000,000 tons of finished steel annually. The company's products though well diversified are made up largely of the heavier types of steel such as pipe and structural steel and merchant bars. The demand for these types of steel, emanating normally from the railroad, building, oil, gas and water industries, has failed to maintain the pace of recovery set by the various lighter products, and the recovery of Jones & Laughlin's earnings has lagged.

The company, one of the oldest in the industry, is a well rounded unit. Subsidiaries own iron ore properties calculated to be sufficient to supply all of the company's requirements for at least 20 years, while coal reserves have been estimated as being sufficient for 70 years. The company's manufacturing facilities are concentrated in the Pittsburgh area and enable it to avail itself of the cheap water transportation offered by the Ohio and Mississippi rivers.

Unlike the majority of the steel companies Jones & Laughlin has a comparatively small funded debt. At the end of last year there were outstanding $6,477,000 1st Mortgage 5's 1939, which will be further substantially reduced this year by the operation of the sinking fund. There are 587,139 shares of 7 per cent preferred stock outstanding on which no dividends have been paid since the last payment of 25 cents a share in October, 1933. Accumulations now amount to $21.25 a share on the preferred, or about $12,500,000. Junior to the preferred shares are 576,320 shares of common stock, currently selling on the New York Curb Exchange around 25.

Strong Financially

Since 1930, Jones & Laughlin has failed to earn fixed charges. In the eight years prior to 1931, the company never earned charges less than 9.5 times, with the average considerably higher. Still the company's showing has not been nearly as bad as might be assumed from the foregoing. In only a single year, 1932, was an actual operating loss suffered and in all of the depression years the company adhered steadfastly to a liberal depreciation policy, with write-offs for this item averaging about $5,000,000 annually. Actually, therefore, the company was "out of pocket" only to the extent of $3,281,981 in 1932 and $229,673 in 1933. As a result there has been no impairment in liquid finances. Working capital, including more than $7,500,000 cash, at the end of 1934 totalled $35,545,546. Current liabilities were less than $5,000,000. Allowing for all of the bonds at par, working capital alone was equal to around $50 a share for the preferred stock.

For the first six months this year the company showed a net loss, after depreciation and interest charges, of $750,377, compared with a loss of $1,038,272 in the same months of 1934. Write-offs for depletion and depreciation were practically on a par with those of a year ago. The implications are that for the full year there may be little

(*Please turn to page 673*)

Jones & Laughlin Steel

Annual Capacity	3,000,000 tons
*Funded Debt	$6,477,000
7% Preferred Stock ($100)	587,139 shares
Common Stock	576,320 shares
Current Assets	$40,352,416
Current Liabilities	$4,806,870
Working Capital	$35,545,546
Preferred Accumulations per share	$21.25
Price Range 1935	Low 50—High 84¾
Recent Quotation	77

* Dec. 31, 1934.

Stocks With Earning Power Not Yet Discounted

Should Benefit from Extension of Current Profit Trends

Selected by The Magazine of Wall Street Staff

Archer-Daniels-Midland Co.

Incorporated in 1923 for the purpose of bringing together a number of old-established linseed oil and other businesses, the Archer-Daniels-Midland Co. made steady progress during the so-called boom years. The company, of course, experienced a severe setback during the depression but under the circumstances the fact that in every year it earned and paid something on the common stock must be considered evidence of a firmly-built enterprise.

Earned Per Share Year to June 30 1934	1935	Div.	Recent Quotation
$3.81	$4.20	$1*	$47

*Extras totalling 75 cents paid this year.

For the most part the businesses acquired since the formation of the original company have worked-out well, adding to the parent company's diversity of operations. For example, late in 1929 Archer-Daniels purchased all the common stock of The Werner G. Smith Co. of Cleveland and by so doing acquired a business manufacturing foundry oils, refining fish oils and importing and handling other oils widely used in industry. The one acquisition of doubtful merit appears to have been the Commander-Larrabee Corp. This subsidiary, all of whose common and preferred stocks and most of whose bonds and notes (defaulted) are owned by Archer-Daniels, operates a number of flour mills and has grain elevators with a storage capacity of more than 10,000,000 bushels. In addition to this storage capacity, the parent company has additional facilities which increase the organization's total grain storage capacity to the neighborhood of 22,000,000 bushels

For the fiscal year ended June 30, 1935, Archer-Daniels-Midland reported a net profit of $2,525,745 after depreciation, Federal taxes, etc. This, after dividends on the 7% preferred stock, was equivalent to $4.20 a share on 549,546 shares of no-par common stock. In the previous fiscal year, $3.81 a share of common stock was earned. These figures represent uninterrupted improvement from the low point of 56 cents a share which was shown for the year to June 30, 1931.

The capitalization of Archer-Daniels-Midland consists of 549,546 shares of common stock, of which the company holds 1,088 shares in its treasury, and 31,000 shares of 7% cumulative preferred stock, 140 shares of which are in the company's own treasury. The preferred stock is of $100 par value and the common stock of no par value. In addition, as of June 30, 1935, there was a capital liability of $79,000, representing bonds and notes of the Commander-Larrabee Corp. which the parent company had not yet acquired.

Financial position is comfortable; current assets as of the end of June totalling $15,491,330, of which $2,860,000 was in the form of cash, while current liabilities amounted to $3,600,000. The most significant change in the balance sheet over the past year was the elimination of nearly $9,000,000 in notes payable and a reduction in inventories of nearly $7,000,000.

Based on the present price of $47 a share, the common stock of the Archer-Daniels-Midland Co. yields little more than 2% on the regular dividend of $1; even if it should pay as much again in extras (75 cents already paid) the return afforded would not be remarkably attractive. Yet, the company is undeniably the possessor of potentialities. Already, the leading factor in linseed oil and its derivatives, Archer-Daniels-Midland is steadily making special oils a more important part of its business. The company's pharmaceutical division, for the most part using the same raw materials and products as other divisions, is increasing.

L. S. Starrett Co.

Formed in 1929 as the re-incorporation of a business dating originally from 1880, the L. S. Starrett Co. is famed as a maker of fine tools. The company's line is extensive and includes gauges of many kinds, calipers, levels, squares, protractors and hack-saw blades. These, for the most part, are used by machinists and metal workers and Starrett has been benefited importantly by the activity in the automobile and other machinery industries.

Earned Per Share Year to June 30 1934	1935	Div.	Recent Quotation
$0.79	$1.22	$1	$24

Reflecting the pick-up in demand for the company's small tools and instruments, earnings of the L. S. Starrett Co. for the year to June 30, last, amounted to $205,137. This, after preferred dividends, was equivalent to $1.22 a share on 146,699 shares of common stock and compared with earnings of 79 cents for the previous fiscal year. For the years to June 30, 1932, and 1933, deficits were reported and the company's stock which had sold above $50 a share in 1929 slumped to $3 a share in 1932.

Capitalization is simple; it consists of 6,075 shares of 6% preferred stock of $100 par value and 150,000 shares of common stock of no-par value. The company holds 1,117 shares of preferred and 3,301 shares of common in its own treasury. There is no funded debt. As of June, last, current assets amounted to $2,432,614, while total

current liabilities were only $129,000.

At the present quotation of $24 a share, the common stock of the L. S. Starrett Co. is within a point or so of its high price on the recovery and on the basis of last year's showing the issue is selling for roughly twenty times annual earnings. The company's future, however, is more clearly defined than in the majority of cases. The machine tool business has been boiling, and continues to boil; the automobile industry is planning great things for the last three months of this year and for 1936; the electrical equipment and farm implement companies report greatly improved business, indeed, practically all makers of machinery have done better and are looking forward to the future confidently. This is bound to have a favorable effect upon L. S. Starrett and, although it is unlikely that the company will show for the present fiscal year earnings equal to the peak of $4.43 shown for the twelve months to June, 1930, nevertheless profits should be considerably larger than the $1.22 a share just reported.

Eaton Manufacturing Co.

There were not many automobile accessory companies which paid dividends throughout the years of depression, but among them the Eaton Manufacturing Co. is found. For only one of the past ten years, 1932, did this

Earned Per Share 1st Six Months 1934	1935	Div.	Recent Quotation
$1.16	$1.53	$1*	$28

*Plus extras.

company report a loss, although the dividend record was preserved even during this unfortunate period by a distribution to common stockholders of 25 cents a share.

The Eaton Manufacturing Co. is the operator of eleven plants, for the most part in different districts and engaged upon different operations. The company's line includes front and rear axles, springs, bumpers, valves and tappets, pistons and rings, lock washers, iron castings and small forgings. The company has attained its present diversity of line by steady, albeit slow, absorption of other concerns. It has, however, continued to cater almost exclusively to the automobile industry, the recent activity in which has greatly improved Eaton's operating results.

Following the deficit reported for 1932, Eaton Manufacturing reported earnings the equivalent of 55 cents a share for 1933, $1.44 for 1934, while for the first six months of the present year earnings were equivalent to $1.53 a share, compared with $1.16 in the corresponding previous period.

Capitalization as of the end of 1934 consisted of 696,146 shares of common stock of no-par value. Of these, 17,403 shares were in the company's own treasury. In addition to which there were various minority interests, the most important of which was 34,000 shares of the preferred stock of the Wilcox-Rich Corp., a large producer of valves, tappets, piston rings, etc. This, preferred stock, however, was completely retired last June at $35 a share and, as a result, future operations will not be burdened with the $2.50-a-share dividend which was being paid.

At the end of 1934, current assets amounted to $6,330,000, of which nearly $2,400,000 was in the form of cash and marketable securities. Current liabilities totalled $1,500,000. This was a comfortable financial position, but not excessively so in the light of the coming retirement of the Wilcox-Rich preferred which was due to call for a cash drain of more than $1,000,000. The desire to restore cash resources, it would seem, affords the logical explanation of why stockholders have not benefited to a greater extent from the rise in earning power. True, two extras of 12½ cents a share has been declared this year but under different circumstances the regular rate of $1 a share might well have been raised. Apparently, however, larger disbursements to stockholders have been only postponed, for with the automobile industry headed into new high ground, Eaton Manufacturing can reasonably expect to do still better in the near future.

National Distillers Products Corp.

The liquor industry has entered its most active period of the year and it is expected that sales in the final quarter of the year will exceed by a substantial margin those for any other three-month period in the year. Granted, that the industry is still groping its way, there is unquestionable evidence that many of the earlier problems have been, or will be, ironed out. The new Federal liquor control law passed at the last session of Congress was designed to continue for the industry. The progress made under N R A and the re-establishment of the Federal Alcohol Administration under former Judge Knox will doubtless encourage the industry in the more aggressive promotion of its well being. Consumption of whiskies and other alcoholic beverages, which has been running about 30% below the pre-prohibition era, should be stimulated by recent price reductions and steadily improving quality. Based on official Government figures covering withdrawals, it is clearly evident that encouraging progress in overcoming the menace of bootlegging

Earnings Per Share 1st 6 Mos. 1934	1st 6 Mos. 1935	Recent Price	Div.	Yield
$2.87	$1.41	$29	$2	6.7%

is being made. As these constructive factors become more generally appreciated, shares of the leading distillers are likely to command greater investment respect.

National Distillers early established its leadership in the industry and has continued to hold it against intense competition. At one time the company's Crab Orchard brand was the largest selling low-priced whiskey in the country but recently it has been displaced by competitive brands. The age of this brand has been improved and prices lowered but apparently National Distillers plans to concentrate more and more on promoting the sale of its aged bonded whiskies. The company has the largest stock of aging whiskey in the country. Recently both National and Schenley announced a sharp cut in the wholesale price of their 4-year old whiskies, a move which was followed by a sharp gain in the sale of these products and a consequent strengthening in the competitive position of domestic companies against Canadian and other importations. It is a likely assumption, therefore, that lower prices may be more than offset by enlarged volume.

In the first six months of this year National Distillers earned the equivalent of $1.41 a share on its 2,036,897 shares of common stock, compared with $2.87 a share in the same period of 1934, when profits were abnormally swollen by the initial heavy demand following repeal. Profits this year were comfortably in excess of the 50-cent quarterly dividend.

Earlier this year the company availed itself of low interest rates to float a $13,000,000 issue of 4½% debentures, the proceeds from which were used to retire floating debt and for other corporate purposes. These debentures represent the entire funded debt of the company and the only capital obligation ahead of the common stock. Although it is still incumbent upon the company

to maintain a large portion of its working capital in aging inventories, restricting the proportion of earnings which stockholders may expect in dividends, the company appears well able to continue the present rate. At recent levels around 29, the shares yield over 6½% and are conservatively appraised on the basis of indicated earnings of around $4 a share for the current year.

Philip Morris & Co., Ltd.

In the face of the keenest kind of competition, Philip Morris & Co., one of the relatively smaller manufacturers of cigarettes and smoking tobacco has come rapidly to the fore in recent years. Last year the company's sales were estimated at around 3 billion cigarettes and with a further substantial gain in consumption foreshadowed for the current year, the company is close on the heels of its nearest competitor. The company's largest selling brand of cigarettes, Philip Morris, sells for 15 cents straight, except in extra tax states, while the price of the four leading competitive brands are slightly lower. The company's ability to materially enlarge its share of the market, despite the handicap of having a higher-priced product, would appear to have been largely due to shrewd merchandising and advertising policies, based largely on the quality appeal of its product. The company's various brands have found conspicuous favor with women smokers, and there is nothing in the marked gains to suggest other than that they are more or less permanent, rather than a "flash in the pan". It has been estimated that sales of Philip Morris brand this year are running as much as 70% ahead of last year, notwithstanding the unfavorable implications of an additional tax of 2 cents a package which has been imposed by Connecticut and Pennsylvania.

Earnings Per Share 1935*	1934*	Recent Price	Div.	Yield
$3.75	$1.21	$46	$1	2.2%

*Year ended March 31.

The company's other brands include Paul Jones, a 10-cent brand, English Ovals, Marlboros and Time cigarettes, as well as Revelation and Barking Dog smoking tobaccos. Of these various brands, it is reported that sales of Paul Jones have risen substantially this year, of which a good portion can doubtless be attributed to the fact that selling for 10 cents, this brand is exempt from the sales tax in New York City and New Jersey. Sales of Marlboros, which retail for 20 cents, have also shown improvement this year. Another factor which should contribute some improvement to current results is the recent reduction in the processing tax on both flue-cured and burley tobaccos. It is estimated that this will save manufacturers about 7 cents a thousand cigarettes.

For the fiscal year ended March 31, last, Philip Morris earned the equivalent of $3.75 a share on 415,026 shares of capital stock, a gain of nearly 210% over the $1.21 a share earned in the previous fiscal year. This showing was an impressive one despite the fact that non-recurring profits equal to 54 cents a share were included in per-share calculations. At the end of the last fiscal year the company had outstanding notes payable in the amount of $2,550,000, which have doubtless been reduced since that time.

The company's report for the first six months of the current year has not been issued as yet. It is quite probable, however, that profits will be upwards of $800,000 in the latest period as compared with $776,704, including $192,500 of non-recurring items, in the first half of the last fiscal year. Confronted with the rising trend in earnings and an adequate financial position, the company could well afford to increase dividends above the $1 rate currently in effect. Taking earnings of $4 a share for the current year as being well within the realm of possibilities, the shares are conservatively valued in relation to other leading issues in the cigarette group.

Sutherland Paper Co.

A newcomer to the New York Stock Exchange, for it was only listed in August, the Sutherland Paper Co. so far has made a showing of which it might well be proud. Since listing, in addition to the regular bi-monthly dividend of 10 cents a share, two 10-cent extras have been paid. Earnings for the first six months of this year were equivalent to $1.01 a share on 287,000 shares compared with 71 cents a share in the corresponding previous period. The extras, therefore, are well justified by earning power.

The Sutherland Paper Co. operates two mills at Kalamazoo, Mich. It is a manufacturer of literally scores of different kinds of cartons, trays, fillers, paper cups and paper spoons. It is the largest producer of parafined cartons in the country. These are used for packaging lard, butter, etc. Other products include paper-board display specialties, egg cartons, folding boxboard, mill blanks and railroad boards. While the company's principal customers are food processors and retailers, the wide diversity of outlets tends to impart a considerable measure of stability to earning power, both in good times and bad.

That there has long been a wide demand for the products of the Sutherland Paper Co., may be seen from the record of earnings. In only one year out of the past ten, 1932, did the company fail to show a profit and even in that year the deficit was negligible. Last year, gross sales which fell just short of the $6,000,000-mark, were the highest in the history of the company. Net income, however, which was equivalent to $1.54 a share of common stock, fell just short of 1928's record of $1.59 a share of common. With current earnings running substantially ahead of last year, results for 1935 promise to establish a new high record for the company.

Earned Per Share 1st Six Months 1934	1935	Div.	Recent Quotation
$0.71	$1.01	$0.60*	$18

*Plus extras.

The Sutherland Paper Co. is financially strong for its size. At the close of last year, the balance sheet showed that current assets totalled $1,708,000, of which more than $500,000 was in the form of cash or marketable securities. As of the same date, current liabilities amounted to only $318,000. The company carries its land, plant, etc., on the books at a gross valuation of $4,828,000 which, after deducting reserves for depreciation, gave a net valuation of $2,358,000. Much of the company's production is carried out under its own patents; these, undoubtedly of great value, are carried on the books at $1. Capitalization is as simple as it could be, for it consists solely of 287,000 shares of common stock of $10 par value. There is neither preferred stock nor funded debt.

The business of the Sutherland Paper Co. is not one of which a large, sudden spurt in earning power can be expected. A stockholder, however, can look forward to further steady progress; the tendency to package anything and everything shows no signs of abating and a company as well-established in the field as this one should continue to obtain its full share of any expanding demand. Selling around $18 a share, the stock of the Sutherland Paper Co. yields 3.3% on the basis of the regular dividend alone; extras, however, have materially raised the return this year.

Taking the Pulse of Business

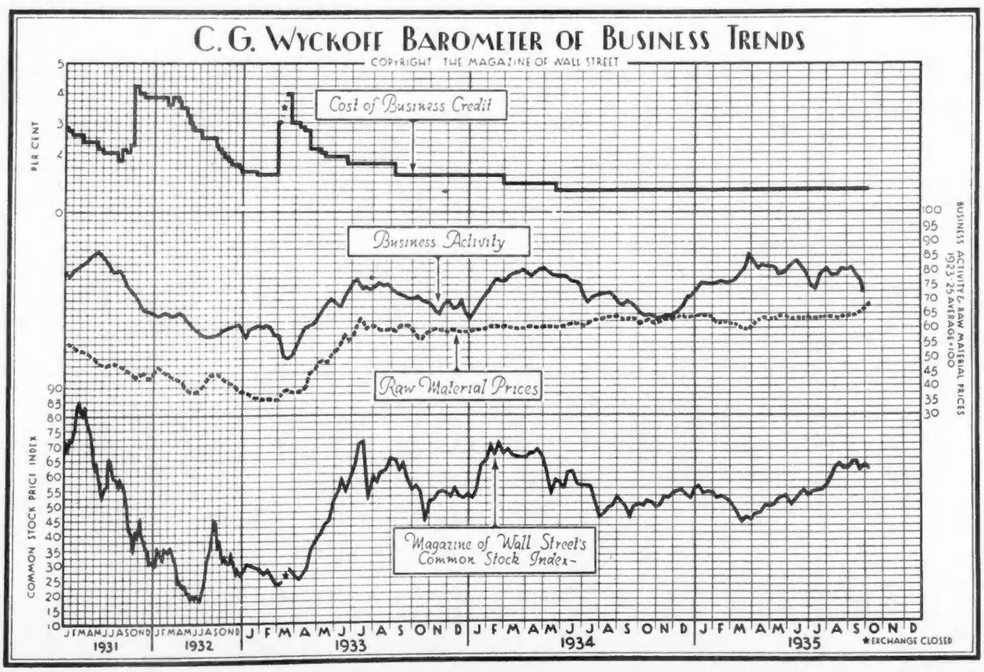
—War Affects Prices
—Purchasing Power Rises
—Capital Goods Industries Active
—Textiles Approach Capacity
—Lower Taxes Help Tobaccos

WHILE war developments abroad have been partly responsible for moderate disturbances in the world markets for commodities and securities, business trends during the past few weeks have been traceable principally to domestic influences. Severe curtailment in automobile assembling and in soft coal output since our last issue have been chiefly responsible for a drop in the Business Activity Index to what will probably prove to have been the lowest point of the secondary recession which set in at the beginning of the second quarter. Yet, severe as the recent set-back has been, it appears that the country's physical volume of production still remains well above last year's level at the corresponding season. But automobile factories have already begun to turn out the new models in expanding numbers and, now that the four-days' coal strike has been settled in all but a few Southern States, coal shipments—and consequently car loadings—will soon begin to pick up gradually.

Recently released reports point to a rather gratifying upturn in the country's purchasing power. Farm cash income during August was less than 3% lower than a year ago, compared with an 11% decrease in July. For the first eight months there has been a cumulative rise of 5%. Dividends declared in September exceeded those for the previous September by nearly 12%, compared with a cumulative increase of less than 6% for the first nine months. Business payrolls in August were 1.3% larger than in July, and exceeded disbursements of the previous year for the first time since February. It is encouraging, too, to note that on unofficial estimate, unemployment in August dropped to 9,901,000, a decrease of 2.2% from July and a decline of 3.2% from August of the previous year. Bank deposits throughout the country, which offer a rough measure of savings available for financing the purchase of capital goods, have risen 17% within the year, and 100% since the low point in March of 1933.

Rising purchasing power is naturally being accompanied by improving demand for consumers' and capital goods. This is especially noticeable in the summer's tourist trade which exceeded that of the 1934 season by 25% in transatlantic passenger traffic, while airline travel reached an all-time peak. A heavy rise in vacation traffic was also experienced by railroads, bus lines, and private automobiles. Chain drug store sales in August exceeded the previous August by 5.4%, with chain grocery stores reporting a 4% gain in dollar sales, compared with a cumulative rise of only 3.5% for the first eight months. Department store sales in the New York Metropolitan area for the first half of September showed a 10.3% gain in dollar totals over the corresponding period a year ago.

In the capital goods field, the machine tool index has registered its sixth consecutive month of rising business, new orders in August reaching the highest level since 1929; although 37% of the business during that month was booked for foreign delivery, with domestic orders showing a 5%



decrease from July. The Bureau of Labor reports an increase of 96% in the estimated cost of August's building permits compared with last year. Permits for private residence construction and alterations were valued at thrice the total for August of 1934. Average rentals throughout the country are reported to have advanced by 7.6% since the first of April, while the national average occupancy of habitable houses has reached 94.8%.

The Trend of Major Industries

STEEL—According to the Iron and Steel Institute's official report the steel ingot rate has advanced to 50.8%, the highest since mid-February and more than double last year's activity at this season. Part of the increase has been in light products, especially sheets for other than automobile use in which August orders were unusually heavy; partly in anticipatory demand for certain products upon which extras go into effect on October 1; and partly heavier steel for which inquiries are expanding. Automobile plants have begun production on new models and should get into full swing within a few weeks; so that the trade expects a considerably further rise in operations before the autumn peak is reached. War orders have not yet figured largely; though higher insurance rates on ocean freight have retarded scrap exports.

METALS—Warlike preparations abroad have accentuated demand for non-ferrous metals and firmer prices have prevailed during the past fortnight—especially for tin, which has advanced to $0.5012, and export copper, which has risen to 9.05 cents. The Italo-Ethiopian war is expected to develop a rising demand for lead. Domestic shipments of this metal in August were the heaviest since April, and 13% above August, 1934. Domestic stocks are off 4% from last year. Silver remains pegged at 65⅜ cents.

PETROLEUM—California continues to be the sore spot in the oil industry. During the past year crude production in that state has risen 57% while the output of all other states has expanded by only 10%. Texas, where production control was once looked upon as politically hopeless, has held its increase down to a mere 4% during the past twelve months; from which example hope may be derived that California may in due time succeed in stemming her own flood. Meanwhile the West Coast anarchy has not spread to Eastern fields, where a number of companies are unofficially reported to have earned fair profits during the third quarter. Under a recent law sponsored by the late Senator Huey P. Long, the State of Louisiana has encouraged oil companies to expand by prohibiting for 10 years the levying of any additional taxes upon the production, transporting or refining of crude oil or its products. Thus far, however, the new Rodessa field has not developed any significant volume of production.

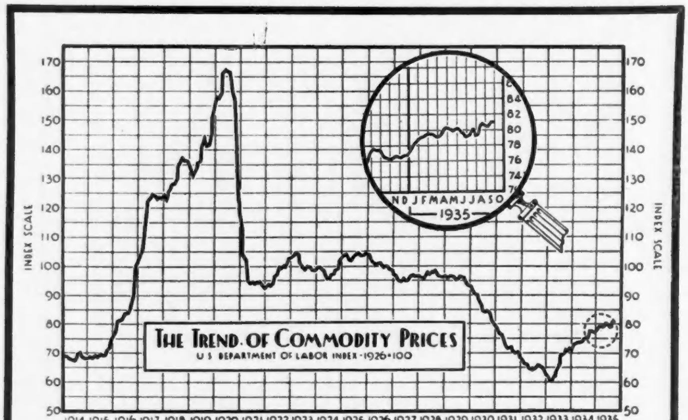
TEXTILES—Continuing the upturn that started just before Labor Day, increased buying of all types of textiles is beginning to tax the capacity of most of the major plants. Cotton cloth inventories are virtually cleaned up and producers are making a little money despite the processing tax. Raw wool prices are 15% higher than a year ago, with consumption more than doubled. Silk inventories are greatly reduced and prices for finished goods, especially stocking, have been advancing. Rayon shipments during August reached a peak for the year to date and it is expected that shipments for the full calendar year will surpass all previous records. War abroad, if prolonged, would, of course, benefit the domestic textile trade; since the Government will probably not ban exports. Already difficulties are being encountered in getting competitive Egyptian cotton to market.

TOBACCO—Substantial reductions in processing tax rates, recently announced for most types of tobacco, will be of direct benefit to manufacturers during the marketing year, 1935-36. Another development favorable to the industry is the recent signing of the new wholesale code.

MEAT PACKING—Owing to the shortage of hogs consequent upon last year's drought and the Government's birth control experiment, net profits of the major meat packers for the fiscal year ended October 27 are likely to be around 25% to 30% less than for the previous 12 months.

Conclusion

Flattening out of the business curve, along with a recrudescence of financial embarrassment of two Eastern railroad systems and uncertainties as to the outcome of military operations abroad have caused considerable irregularity in the Common Stock Index during the past few weeks. High grade bonds have inclined to softness in face of an abnormally low Cost of Business Credit. Perhaps a clue to to the latter anomally may be found in the Raw Material Price Index, which has again established a new high record for the period since the bank holiday. High grade bonds normally move contrary to the trend of commodity prices; since the purchasing power of fixed incomes falls with rising commodity prices and rises with falling prices. At the present time both indexes point to the onset of inflation. Of recent weeks a sharp pick-up in textiles has joined the manifest improvement in demand for capital goods. Thus the beginning of a major business recovery appears to be imminent, regardless of the war developments in Africa.

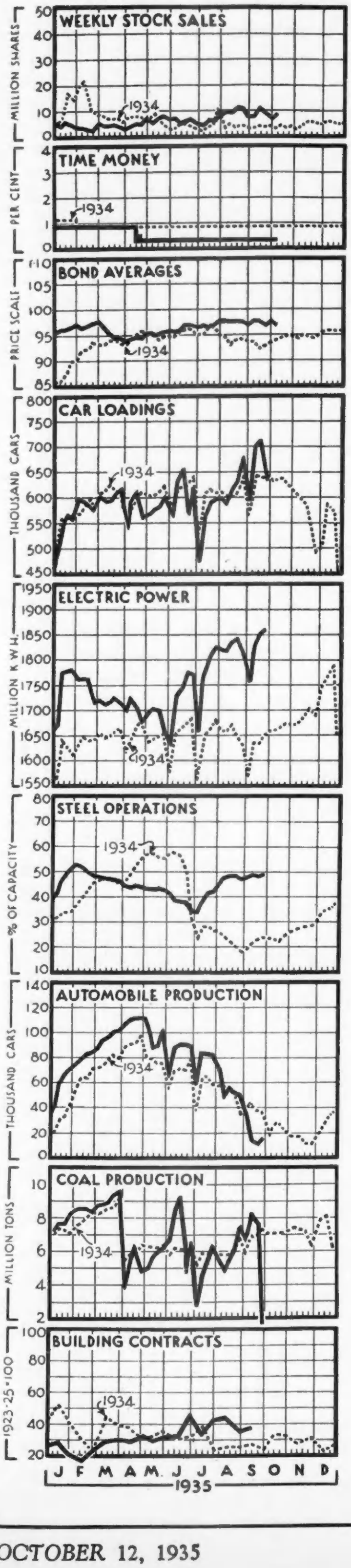


Changes in Major Commodity Price Group for the Fortnight Ended September 28, 1935

Farm Products	up	7.3	Metals	up	0.5
Foods	up	9.9	Building materials	up	0.7
Hides and leather	up	6.9	Chemicals	up	2.5
Textiles	up	0.8	Housefurnishings	down	1.4
Fuel and lighting	down	1.0	Miscellaneous	down	3.2

The Magazine of Wall Street's Indicators

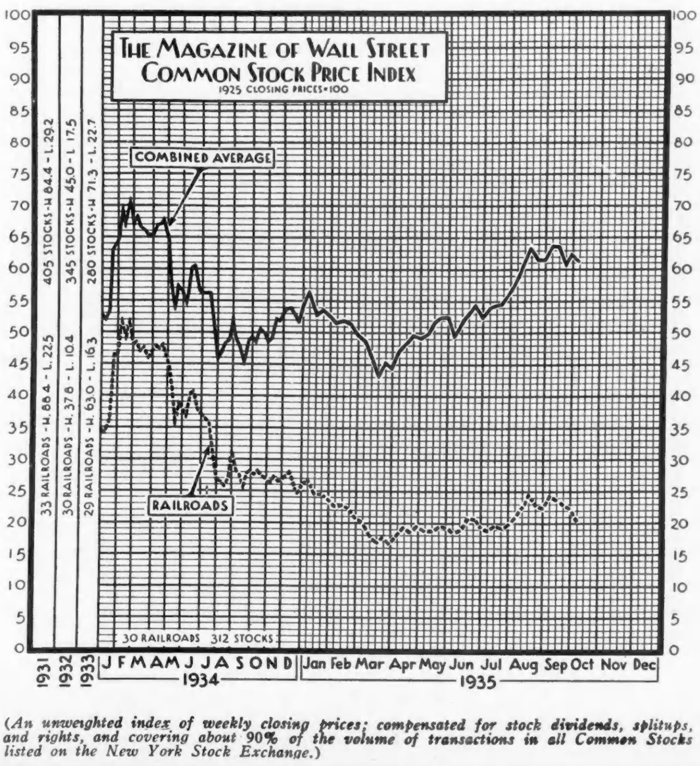
Business Indexes



Common Stock Price Index

1934 Indexes High	1934 Indexes Low	1934 Indexes Close	Number of Issues	(1925 Close—100)	1935 Indexes High	1935 Indexes Low	Sept. 21	Sept. 28	Oct. 5
71.2	45.0	54.6	288	COMBINED AVERAGE...	63.8	43.0	60.5	62.5	61.1
105.7	44.2	87.0	5	Agricultural Implements....	93.0	64.1	87.4	89.7	89.9
42.3	20.2	27.1	6	Amusements............	37.4	17.8	35.7	37.4h	35.4
58.9	35.2	55.5	13	Automobile Accessories....	90.1	44.6	82.0	90.1H	88.0
24.9	11.8	14.2	13	Automobiles............	16.8	8.8	12.1	12.9	12.5
92.5	43.6	60.1	5	Aviation (1927 Cl.—100)....	67.2	41.3	62.6	65.5	67.2h
17.4	8.7	9.2	3	Baking (1926 Cl.—100).....	13.4	7.9	13.1	13.0	12.2
240.9	153.6	191.8	2	Bottles & Cks. (1932—100)..	243.2	184.9	220.6	227.1	229.8
136.0	100.0	131.6	4	Business Machines........	154.0	113.7	145.6	153.1	153.5
229.5	178.9	227.5	2	Cans..................	301.6	226.1	288.4	293.9	293.9
210.5	134.3	167.2	8	Chemicals..............	189.0	144.6	182.2	186.9	181.5
37.2	22.1	28.8	16	Construction...........	32.5	22.6	30.3	30.5	30.0
70.1	40.1	43.8	5	Copper................	78.8	35.7	71.3	72.8	78.8h
37.0	25.7	32.0	2	Dairy Products..........	33.4	27.5	31.9	32.0	32.1
26.8	16.4	21.2	8	Department Stores.......	22.9	16.0	21.7	22.4	21.8
84.2	56.0	73.1	7	Drugs & Toilet Articles.....	73.1	56.1	60.5	63.7	61.5
91.3	59.1	78.7	3	Electric Apparatus........	138.4	70.1	132.0	133.7	138.0
211.2	103.8	211.2	2	Finance Companies.......	269.1	211.2	244.8	257.7	249.9
64.0	51.1	58.3	7	Food Brands............	59.4	51.3	51.8	56.4	55.0
71.1	55.1	55.7	4	Food Stores............	56.4	46.5	48.7	49.6	48.7
58.8	36.2	45.4	3	Furniture & Floor Coverings	56.1	32.1	50.7	54.6	52.9
1372.0	1106.0	1164.9	3	Gold Mining.............	1209.7	1044.9	1086.8	1085.7	1063.1
35.6	25.1	35.6	5	Household Equipment.....	42.2	35.3	40.7	41.9	40.0
31.8	19.3	20.8	4	Investment Trusts........	31.5	17.0	26.9	29.4	28.2
295.5	164.0	247.0	3	Liquor (1932 Cl.—100).....	284.1	223.6	253.5	264.2	263.7
53.4	34.2	44.2	2	Mail Order.............	60.4	36.0	55.2	55.6	53.4
88.6	51.9	62.0	3	Meat Packing...........	62.2	34.5	38.4	41.2	43.6
160.1	117.4	127.8	11	Metal Mining & Smelting..	157.8	109.4	145.3	149.0	157.8h
86.8	52.0	58.2	23	Petroleum..............	71.5	51.3	63.1	65.0	64.0
25.0	15.2	21.0	3	Phonos. & Radio (1927-100)	21.7	15.9	18.8	21.3	21.0
72.8	32.1	34.8	18	Public Utilities..........	68.3	23.0	49.4	50.6	48.1
66.2	34.9	43.9	8	Railroad Equipment.......	43.9	29.3	39.6	39.5	37.5
52.0	24.5	25.8	25	Railroads..............	26.7	16.5	22.9	22.5	20.1
15.9	6.0	8.8	3	Realty................	10.4	5.2	9.1	9.4	8.9
50.2	28.9	41.6	3	Shipbuilding............	55.1	28.5	55.1H	52.3	54.6
77.0	42.0	54.4	10	Steel & Iron............	76.7	37.6	71.2	72.7	70.0
31.3	20.4	22.2	5	Sugar.................	30.4	21.1	27.4	26.6	26.2
214.0	131.5	143.2	2	Sulphur...............	150.3	122.5	133.1	129.1	130.1
70.3	40.2	45.2	3	Telephone & Telegraph....	63.0	34.2	56.4	58.4	55.8
65.8	37.5	47.8	8	Textiles...............	63.5	34.7	55.9	63.5h	58.2
14.6	7.6	9.0	5	Tires & Rubber.........	9.3	6.0	7.4	7.3	7.2
88.6	66.5	84.7	4	Tobacco...............	99.5	77.2	97.1	99.5H	96.4
73.5	43.5	65.0	3	Traction..............	85.4	51.0	76.8	80.2	83.0
275.5	43.6	258.2	3	Variety Stores...........	281.8	219.7	266.5	270.4	270.1

H—New HIGH record since 1931. h—New HIGH this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

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2. Confine your request to *three listed securities.*
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TEXAS GULF SULPHUR CO.

Will you favor me with a brief analysis of Texas Gulf Sulphur? Should the company not earn its dividend this year, is the surplus sufficiently large to permit its continuance? Would you continue to hold shares bought around 28?—F. S. N., Boston, Mass.

Earnings of Texas Gulf Sulphur Co. for the first 6 months of this year fell below dividend requirements, amounting to 90 cents a share, compared with the $2 annual rate. Although the regular payments required the outlay of $384,829 more than net income for the period, the company's financial strength is so great that it could continue to make up such deficiencies for a long time. As of June 30, 1935, the company had cash and U. S. Treasury notes and certificates aggregating $9,484,957, against current liabilities of only $1,506,542. Current assets of $11,342,869 did not include inventories of sulphur on hand or materials and supplies. Furthermore, earnings for the first half of this year on a per share basis are not strictly comparable with the rate of $1.32 a share for the first half of 1934, since there were 3,840,000 shares outstanding this year against 2,540,000 shares in 1934, the increased stock having been given in exchange for the ownership of sulphur properties that were formerly leased on a royalty basis. The actual net profit for the 1935 first half was $3,455,171, a fair gain over the dollar profit for the corresponding period a year ago. Over a longer period, Texas Gulf Sulphur should benefit from the ownership of these properties, through saving royalty payments and greatly increasing its owned sulphur reserves. Texas Gulf Sulphur retains its dominant position as a producer of one of the most essential chemical raw materials, producing about three-fifths of the total world output of native sulphur at relatively low cost. Despite efforts to stimulate production of native sulphur in other countries, such competition is not expected to be serious. Therefore, even though Texas Gulf Sulphur may not earn for the full year 1935 the per share equivalent or the dollar equivalent of its present dividend distributions, we consider that the outlook justifies the retention of holdings.

ATLAS POWDER CO.

I have 200 shares of Atlas Powder bought at 33 with speculative appreciation in mind. In view of its substantial advance since then I am interested in getting some line on the outlook now and your advice will be appreciated.—B. E. L., New York City.

The report of Atlas Powder Co. for the 6 months ended June 30, 1935, revealed a substantial decline in net profit, which amounted to $479,782 or 93 cents a share after charges and preferred dividend requirements, compared with $677,107 or $1.70 a share for the first half of 1934. Thus, dividend requirements of the common stock for the later period were not quite covered, but the ample financial resources of the company, as shown by the June 30, 1935, balance sheet, indicate no immediate need for revising the dividend rate downward. Current assets amounted on that date to $9,812,807, including $5,044,409 in cash, United States Government and other marketable securities, whereas current liabilities were only $657,227. The difficulties of the bituminous coal industry through labor troubles and recent Federal legislation which may be expected to increase its operating costs, point to the possibility of lower earnings for the explosives divisions of Atlas Powder. On the other hand, extensive Government works and other building projects and improvement in the demand from railroad, construction and other heavy industrial lines may be sufficient to offset the unfavorable coal situation. Moreover, Atlas Powder has become an important factor in other industries through the natural development of its cellulose products division, which expanded into the manufacture of products of such kind as lacquers, synthetic enamels and other liquid coverings as well as pyroxylin and rubber-coated fabrics and sheets. In this manner, the automobile industry and other large customers having nothing to do with explosives, have been developed. Improvement in those industries should, therefore, be beneficial to Atlas, which has further expanded its activities into branches of the chemical field, using lignite coal for the manu-

(Please turn to page 667)

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New York Stock Exchange

Rails

	1933		1934		1935		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	10/2/35	Share
A								
Atchison	80⅛	34⅝	73¾	45¼	57⅛	35¾	45⅝	†2
Atlantic Coast Line	59	16½	54¼	24½	37¼	19½	21	..
B								
Baltimore & Ohio	37⅞	8¼	34½	12¾	18	7½	13⅛	..
Bangor & Aroostook	41¾	20	46⅛	35½	49½	36⅛	44⅞	2.50
Brooklyn-Manhattan Transit	41¼	21¾	44⅞	28¼	46¾	36½	41⅜	3
C								
Canadian Pacific	20⅞	7½	18¼	10⅞	13¾	8⅝	8⅝	..
Chesapeake & Ohio	49¼	24⅝	48⅝	39½	47½	37⅛	44	2.80
C. M. & St. Paul & Pacific	11¾	1	8½	2	3	¼	1	..
Chicago & Northwestern	16	1¼	15	3½	5⅝	1⅜	2⅛	..
Chicago, Rock Island & Pacific	10⅛	2	6¼	1⅜	2⅝	¾	1¼	..
D								
Delaware & Hudson	93¾	37⅝	73½	35	43½	23½	30⅝	..
Delaware, Lack. & Western	46	17¼	33¾	14	19⅛	11	13½	..
E								
Erie R. R.	25¾	3¾	24⅛	9⅜	14	7⅛	9½	..
G								
Great Northern Pfd	33¾	4⅝	32½	12¼	27½	9⅝	22½	..
H								
Hudson & Manhattan	19	6½	12⅛	4	5½	2¾	3¼	..
I								
Illinois Central	50¾	8½	38⅞	13⅝	17⅜	9½	13¼	..
Interborough Rapid Transit	13¾	4⅛	17½	5¼	23⅝	8¾	18⅛	..
K								
Kansas City Southern	24⅞	6½	19¾	6⅝	8¾	3¾	6⅛	..
L								
Lehigh Valley	27¾	8⅝	21¼	9½	11½	5	8	..
Louisville & Nashville	67½	21¼	62½	37¾	47½	34	40	†2.50
M								
Mo., Kansas & Texas	17⅛	5¾	14⅞	4¾	6¼	2½	3⅛	..
Missouri Pacific	10¼	1⅛	6	1½	3	1	1	..
N								
New York Central	58½	14	45¼	18¾	27¼	12¼	20⅛	..
N. Y., Chic. & St. Louis	27⅝	2⅛	26⅞	9	13	6	9	..
N. Y., N. H. & Hartford	34⅞	11⅛	24⅛	6	8½	2⅞	4⅝	..
N. Y., Ontario & Western	15	7½	11⅝	4½	6	2⅝	3½	..
Norfolk & Western	177	111½	187	161	193	158	187¼	*8
Northern Pacific	34⅞	9⅝	36¼	14½	21⅞	13⅛	14⅜	..
P								
Pennsylvania	42¼	13¾	39⅛	20⅛	30⅛	17¼	25½	†.50
Pere Marquette	37	3⅞	38	12	21½	9¼	18½	..
R								
Reading	62½	23½	56⅜	35⅛	43⅛	29⅞	35	2
S								
Southern Pacific	38¾	11⅛	33¾	14⅞	21½	12¾	16¼	..
Southern Railway	36	4⅛	36½	11½	16½	5½	8¼	..
T								
Texas & Pacific	43	15	43¼	13½	25¾	14	18	..
U								
Union Pacific	132	61¼	133⅞	90	111½	82½	94	6
W								
Western Maryland	16	4	17¼	7⅛	9⅞	5½	7¾	..

Industrials and Miscellaneous

	1933		1934		1935 §		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	10/2/35	Share
A								
Adams-Millis Corp	21⅝	8	34⅞	16	35½	28	32	2
Air Reduction, Inc.	112	47½	113	91¾	152¼	104⅝	145⅛	*3
Alaska Juneau	33	11⅛	23⅞	16⅝	20⅛	15⅛	15⅛	*.60
Allied Chemical & Dye	152	70¾	160¾	115⅛	173	125	165	6
Allis Chalmers Mfg	26¾	6	23⅜	10⅜	29⅝	12	25⅞	..
Alpha Portland Cement	24	5¾	20⅛	11½	20¼	14	15⅞	1
Amerada Corp	47⅝	18½	55⅝	39	71	48½	62⅞	2
Amer. Agric. Chemical (Del.)	35	7¼	48	25¼	57¾	41½	50½	3
American Bank Note	28½	8	25¼	11½	32½	13½	27¼	..
Amer. Brake Shoe & Fdy	42½	9⅛	38	19½	38⅛	21	32¼	1
American Can	100½	49½	114¾	90¼	146⅝	110	138¼	*4
Amer. Car & Fdy	39¾	6⅛	33⅞	12	25¾	10	18	..
American & Foreign Power	19⅝	3⅞	13¾	3⅞	9¼	2	5	..
Amer. International Corp	15⅛	4¼	11	4¾	9⅞	4½	7½	..
Amer. Power & Light	19⅞	4	12¼	3	9½	1½	6	..
Amer. Radiator & S. S.	19	4⅝	17⅝	10	18¾	10½	15⅞	..
Amer. Rolling Mill	31⅞	5¾	28¼	13½	27⅞	15¾	24⅛	†.30
Amer. Smelting & Refining	53½	10¾	51¼	30¼	51¼	31⅝	46½	..
Amer. Steel Foundries	27	4⅝	26½	10⅛	20¼	12	15⅛	..
Amer. Sugar Refining	74	21½	72	46	70½	51	51	2
Amer. Tel. & Tel	134¾	86½	125¼	100⅛	145⅜	98⅞	135⅝	9
Amer. Tob. B	94¾	50¾	89	67	105½	74¾	101	5
Amer. Water Works & Elec	43¼	10⅞	27⅝	12⅝	19¼	7⅛	14⅝	..
Amer. Woolen Pfd	67½	22⅝	83¾	36	61⅛	35½	55½	..
Anaconda Copper Mining	22⅞	5	17¾	10	22	8	19	..
Amour Co. of Ill.	....	....	6¾	3½	6⅛	3¼	4	..
Atlantic Refining	32½	12⅜	35¼	21½	28	20¾	20¾	1
Auburn Auto	84¼	31	57⅜	16½	39¾	15	35⅜	..
Aviation Corp. Del	16⅜	5½	10¾	3¾	4¼	2¾	3⅛	..
B								
Baldwin Loco. Works	17⅝	3½	16	4½	6⅝	1½	2½	..
Bayuk Cigar	52½	3¼	45¾	23	51⅛	37½	42½	*1
Beatrice Creamery	27	7	19¾	10¼	19	14⅛	14½	†.50
Beech-Nut Packing	70½	45	76⅝	58	95	72	93½	*3

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1933		1934		1935		Last Sale	Div'd $ Per
B	High	Low	High	Low	High	Low	10/2/35	Share
Bendix Aviation	21¼	6⅛	23⅞	9¾	23¼	11⅞	20⅝	..
Best & Co	33⅛	9	40	26	51¾	34	51	2
Bethlehem Steel Corp	49¼	10⅛	49½	24⅛	41½	21⅝	35	..
Bohn Aluminum	58½	9½	68¾	44½	59⅞	39⅝	47	3
Borden Company	37⅜	18	28¼	19⅞	26⅝	21	22¾	1.60
Borg Warner	22¼	5½	31⅜	16⅛	58	28¼	54¼	2
Briggs Mfg	14⅝	2⅝	28⅜	12	49⅝	24½	46½	2
Bristol-Meyers	40½	25	37½	26	36½	30⅜	35½	*2
Burroughs Adding Machine	20⅞	6⅛	19⅜	10½	20½	13¼	19	.60
Byers & Co. (A. M.)	43¼	8½	32¾	13¾	20⅝	11⅜	15¾	..
C								
California Packing	34¾	7¾	44⅜	18¾	42½	30½	32⅝	1.50
Canada Dry Ginger Ale	41¼	7½	29½	12½	16⅝	8⅛	8¾	..
Case, J. L.	103½	30½	86¾	35	81½	45¾	77	..
Caterpillar Tractor	29¾	5½	38¾	23	55½	36½	50½	*1
Celanese Corp	58⅞	4½	44⅞	17⅛	35⅜	19½	26	..
Cerro de Pasco Copper	44¾	5⅞	44½	30¼	63¾	38⅝	56	4
Chesapeake Corp	52½	14⅞	48⅞	34	47¾	36	42	3
Chrysler Corp	57⅝	7¾	60⅜	29¼	74⅝	31	69¾	*1
Coca-Cola Co	105	73½	161½	95¼	247½	161⅞	244	8
Colgate-Palmolive-Peet	22⅜	7	18⅛	9⅜	19¼	15⅛	17	.50
Columbian Carbon	71¼	23⅛	77¼	58	94	67	85	4
Colum. Gas & Elec	28⅛	9	19¼	6⅝	14	3⅜	10⅝	..
Commercial Credit	19¼	4	40¼	18⅝	53⅞	39½	48¾	2.50
Comm. Inv. Trust	43½	18	61	35¾	72	56¼	64	*2.80
Commercial Solvents	57¼	9	36¾	15¾	23⅞	17⅜	17⅜	*.60
Congoleum-Nairn	27⅝	7⅜	35⅜	22	37⅞	27	34⅝	1.60
Consolidated Gas of N. Y.	64⅛	34	47⅜	18½	34¼	15⅞	26¼	1
Consol. Oil	15¾	5	14¼	7¼	10½	6½	7⅝	†.25
Container Corp. "A"	10¼	1⅛	13¾	6⅛	13⅝	8¾	11½	..
Continental Can, Inc	78⅜	35¼	64½	56¾	91⅛	62¾	85½	2.40
Continental Insurance	36½	10½	36¼	23⅜	42⅜	28⅞	38	*1.20
Continental Oil	19⅝	4⅞	22¾	15¾	23	15⅛	19¼	†.62½
Corn Products Refining	90⅝	45⅜	84½	55½	78⅜	60	60½	3
Crown Cork & Seal	65	14¼	36¼	18¾	36¼	23½	32	1
Cudahy Packing	59½	20¾	52⅝	37	47½	39⅞	40	2.50
Cutler-Hammer, Inc	21	4¼	21½	11	31	16	28⅝	..
D								
Deere & Co	49	5¾	34⅛	10⅛	42	22¾	38½	..
Diamond Match	29½	17½	28½	21	40¾	26½	38	*1.50
Dome Mines	39½	12	46¼	32	43½	34⅛	39¼	*2
Douglas Aircraft	18¼	10¼	28½	14¼	33	17½	29⅛	†.75
Du Pont de Nemours	96⅜	32⅛	103⅞	80	135¼	86⅝	124¾	*3.60
E								
Eastman Kodak Co	89¾	46	116½	79	161	110½	152	*5
Electric Auto Lite	27½	10	31⅜	15	32½	19⅜	29⅝	†.30
Elec. Power & Light	15⅜	3⅛	9⅝	2¼	7½	1⅛	4⅛	..
Electric Storage Battery	54	21	52	34	49½	39	45½	2.25
Endicott Johnson Corp	62⅞	26	63	45	66	52¾	64	3
F								
Fairbanks, Morse & Co	11¼	2½	18¾	7	26½	17	22	..
Firestone Tire & Rubber	31½	9⅛	25¼	13⅛	18⅛	13⅛	14	.40
First National Stores	70¾	43	69¼	53	58⅞	45¾	46¼	2.50
Foster Wheeler Corp	23	4½	22	8½	17½	9⅞	15½	..
Freeport Texas Co	49⅜	16⅛	50⅜	21½	28½	17¼	22½	1
G								
General Amer. Transpt	43¼	13¾	43⅝	30	44	32⅝	37⅞	1.75
General Baking	20⅞	10½	14⅜	6½	13	7⅜	11⅜	.60
General Electric	30¼	10½	25¼	16⅞	35	20½	31½	.80
General Foods	39⅞	21	36⅞	28	37½	30	32	1.80
General Mills	71	35½	64½	51	70½	59⅞	69⅛	3
General Motors Corp	35¾	10	42	24⅝	47⅜	26⅝	44⅛	*2
General Railway Signal	49½	13¼	45¾	23½	34¾	15⅝	31	1
General Refractories	19¾	2½	23⅜	10⅛	26¾	16¾	21⅞	..
Gillette Safety Razor	20¼	7⅝	14⅞	8½	19½	12	16⅛	1
Glidden Co	20	3¾	28⅜	15⅝	38⅛	23⅜	35	*1
Gold Dust Corp	27⅜	12	23	16	18	14⅜	16	1.20
Goodrich Co. (B. F.)	21½	3	18	8	11⅞	7½	7¾	..
Goodyear Tire & Rubber	47½	9¼	41⅜	18½	26⅞	15¾	16¾	..
Great Western Sugar	41⅞	7	35¼	25	32⅜	26⅝	27½	2.40
H								
Hercules Powder Co	68⅝	15	81⅝	59	88⅜	71	86⅛	*3
Hershey Chocolate	72	35⅛	73¾	48½	81¾	73¼	76	3
Homestake Mining	373	145	430⅛	310	412	338	401	*12
Hudson Motor Car	16⅜	3	24½	6⅛	14⅞	6¼	12½	..
Hupp Motor Car	7¾	1⅝	7¼	1⅞	3⅞	¾	2⅛	..
I								
Industrial Rayon	....	....	32¼	19⅜	33⅜	23½	30¼	1.68
Ingersoll-Rand	78	19⅛	73¾	49½	104⅞	60½	100½	2
International Business Machines	153¼	75¾	164	131	187	149¼	175	*6
Inter. Cement	40	6⅛	37¾	18⅜	33	22⅞	27	1
Inter. Harvester	46	13⅝	46⅞	23¼	60½	34⅛	56½	.60
Inter. Nickel	23¼	6¾	29¼	21	31⅝	22¼	29¼	.80
Inter. Tel. & Tel.	21¾	5⅛	17¾	7½	12⅝	5⅝	8⅞	..
J								
Jewel Tea Co., Inc	45	23	57½	33	67	49	56	3
Johns-Manville	63½	12¼	66⅜	39	77½	38½	71½	†.50
K								
Kelvinator	15⅝	3⅛	21¼	11⅝	18¼	10¼	12⅝	*50
Kennecott Copper	26	7⅜	23⅛	16	26⅛	13¾	23	.60
Kroger Grocery & Baking	35⅝	14½	33⅝	23¼	32⅛	22¼	27	1.60
L								
Lambert Co	41⅛	19⅜	31¾	22¼	28½	21½	21½	2
Lehman Corp	79⅜	37½	78	68¼	95⅜	67⅛	88	*2.40
Libbey-Owens-Ford	37⅜	4¾	43⅞	22½	40⅞	21½	37⅝	1.20
Liggett & Myers Tob. B	99⅜	49¼	111¼	74½	122	93¾	113	*4
Loew's, Inc	36½	8½	37	20⅜	45¼	31¼	41½	2
Loose-Wiles Biscuit	44¾	19¼	44¾	33¼	41⅝	33	37¾	2
Lorillard	25¼	10⅜	22½	15¾	26⅛	18½	24¼	*1.20
M								
Mack Truck, Inc	46⅜	13½	41¾	22	28⅛	18⅝	20¾	1
Macy (R. H.)	65¾	24¼	62⅛	35¼	51⅛	30½	47⅛	2

Dividends and Interest

WILSON & CO., Inc.

Preferred and Common Stock Dividends

The Board of Directors of Wilson & Co., Inc., meat packers, a Delaware corporation, has declared a dividend of One Dollar and Fifty Cents ($1.50) per share on its $6.00 Preferred Stock for the period from August 1, 1935 to October 31, 1935, payable November 1, 1935 to holders of record at the close of business October 15, 1935. At the same meeting the Directors also declared a dividend of Twelve and One-Half Cents (12½c) per share on its Common Stock, payable December 2, 1935 to holders of record at the close of business November 15, 1935. Checks will be mailed.

Dated: Chicago, Sept. 24, 1935.

GEO. D. HOPKINS,
Secretary.

ALLIED CHEMICAL & DYE CORPORATION
61 Broadway, New York

September 24, 1935.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 59 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable November 1, 1935, to common stockholders of record at the close of business October 11, 1935.

W. C. KING, *Secretary.*

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

October 4th, 1935.

THE Board of Directors on October 2nd, 1935 declared a quarterly dividend of $1.62½ per share on the outstanding $6.50 Cumulative Preferred Stock of this Company payable on the 15th day of November, 1935 to stockholders of record at the close of business on the 31st day of October, 1935. Checks will be mailed

DAVID BERNSTEIN
Vice-President & Treasurer

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1933		1934		1935		Last Sale	Div'd $ Per
M	High	Low	High	Low	High	Low	10/2/35	Share
Mathieson Alkali	46⅝	14	40¾	23½	33¾	23¾	30⅛	1.50
May Dept. Stores	33	9¾	45¾	30	54⅝	35⅞	50	1.60
McIntyre, Porcupine	48⅜	18	50½	30½	45⅝	34⅞	36	2
McKeesport Tin Plate	95¾	44⅛	95⅛	79	127½	90½	119	4
Mesta Machine Co	21	7	34¾	20⅛	35¾	24⅛	33¼	2
Monsanto Chemical	83	25	96½	39	84	55	79	*1
Montgomery Ward & Co	28⅞	8⅝	35⅝	20	37¾	21¾	30⅝	..
N								
Nash Motor Co	27	11⅛	32¼	12⅝	19½	11	14⅞	1
National Biscuit	60⅝	31½	49½	25⅞	33½	22¼	29⅞	1.60
National Cash Register	23⅝	5⅛	23⅝	12	18⅞	13½	16⅜	.50
National Dairy Products	25¾	10½	18¾	13	17½	12⅞	16	1.20
National Distillers	35¼	20⅞	31⅝	16	31⅞	23⅛	28¼	5
National Lead Co	140	43¼	170	135	185	145	179	5
National Power & Light	20½	6⅞	15½	6⅝	14⅜	4⅞	8½	.80
National Steel	55⅛	15	58¼	34½	71⅝	40⅜	68¼	*1
N. Y. Air Brake	23½	6⅛	28¾	11½	28¼	18½	26	..
North American Co	36½	12½	25¼	10¼	24¼	9	18⅜	1
O								
Otis Elevator	25¼	10⅛	19⅜	12½	22	11⅛	17⅜	.60
Owens Ill. Glass	96¾	31½	94	60	104	80	94¾	4
P								
Pacific Gas & Electric	31⅞	15	23½	12⅜	28¾	13⅛	25¾	1.50
Pacific Lighting	43⅜	22	37	20¾	44½	19	40½	2.40
Packard Motor Car	6⅞	1¾	6⅝	2¾	5⅞	3½	4¾	..
Paramount Pictures	..	..	..	..	12	8	10½	..
Penney (J. C.)	56	19¼	74¼	51½	84¾	57¼	80½	2
Penick & Ford	60¾	25½	67	44⅝	81	64½	69⅛	2
Phelps Dodge Corp	18⅞	4½	18⅞	13¼	24¾	12¾	23	†.25
Phillips Petroleum	18¾	4¾	20¾	13⅜	29⅜	13¾	28	*1
Pillsbury Flour Mills	22½	9½	34¾	18½	36¼	31	35	1.60
Procter & Gamble	47½	19⅝	44⅜	33⅛	53¾	42⅜	52	*1.50
Public Service of N. J.	57⅛	32⅝	45	25	45	20⅜	38½	2.40
Pullman, Inc.	58⅛	18	59⅜	35¼	52⅞	30½	31⅜	1.50
R								
Radio Corp. of America	12¼	3	9⅛	4½	8⅜	4	6⅞	..
Radio-Keith-Orpheum	5¾	1	4¼	1½	5¼	1¼	4	..
Raybestos-Manhattan	20⅝	5	23	14½	23½	16½	21¾	1
Remington Rand	11¼	2½	13⅜	6	13⅛	7	12	..
Republic Steel	23	4	25¾	10½	19⅞	9	15¼	..
Reynolds (R. J.) Tob. Cl. B	54¼	26½	53¾	39¾	57	43⅛	54	3
S								
Safeway Stores	62⅜	28	57	38¼	46	32¾	32¾	3
Schenley Distillers	47	22	38⅞	17⅛	42	22	38	..
Sears, Roebuck & Co	47	12½	51¼	31	61⅜	31	53½	†75
Servel, Inc	7½	1½	9	4⅜	12¼	7⅝	9⅞	.50
Shattuck (F. G.)	13¼	5¾	13⅞	6¾	9¾	7¼	8⅜	.25
Shell Union Oil	11⅝	4	11½	6	11½	5½	8⅞	..
Socony-Vacuum Corp	17	6	19⅞	12½	15¾	10⅝	10⅞	.30
So. Cal. Edison	28	14⅛	22⅛	10⅛	23⅛	10⅝	21½	1½
Spiegel May Stern Co	21½	1	76¾	64	79½	43⅞	65¼	..
Standard Brands	37⅝	13¾	25¼	17¼	19⅛	12½	12⅞	.80
Standard Oil of Calif	45	19½	42⅞	26½	38⅞	27¾	32⅛	1
Standard Oil of Ind	....	....	32¾	23¼	28	23	24½	1
Standard Oil of N. J.	47½	22¾	50⅛	39¼	50½	35¾	42¼	*1
Sterling Products	63	45¾	66½	47¼	67⅞	58¾	63½	3.80
Stewart-Warner	11½	2½	10⅝	4½	15⅜	6⅝	13½	..
Stone & Webster	19¼	5½	13¼	3⅞	10⅜	2½	5¾	..
T								
Texas Corp	30⅛	10¾	29⅜	19⅝	23¾	16½	18½	1
Texas Gulf Sulphur	45¼	15¼	43¼	30	36¾	28¾	30¾	2
Tide Water Assoc. Oil	11¾	3⅛	14⅜	8	12	7⅝	8⅛	..
Timken Roller Bearing	35½	13¾	41	24	57⅛	28⅜	55¼	*1
Tri-Continental Corp	8¾	2¾	6¾	3	7¼	1⅞	5¾	..
U								
Underwood-Elliott-Fisher	39½	9¼	58⅞	36	72¾	53¾	70	2
Union Carbide & Carbon	51⅞	19¾	50⅞	35⅞	69¾	44	65¼	1.60
Union Oil of Cal	23⅜	8½	20½	11½	20⅛	14¾	17⅛	1
United Aircraft	....	....	15¼	8⅛	20¼	9⅞	18⅛	..
United Carbon	38	10¼	50⅜	35	68	46	63	2.40
United Corp	14½	4	8⅞	2⅛	6⅝	1½	3¾	..
United Corp. Pfd	40⅞	22⅛	37⅞	21¼	44½	20⅜	36¼	3
United Fruit	68	23¼	77	59	92¾	60½	62¼	3
United Gas Imp	25	13⅞	20⅛	11½	18¼	9¼	15¼	1
U. S. Gypsum Co	53½	18	51¼	34¼	74	40½	68	*1
U. S. Industrial Alcohol	94	13½	64¾	32	48⅛	35⅛	42¼	2
U. S. Pipe & Fdy	22⅛	6⅛	33	15½	22	14¾	17¼	.50
U. S. Rubber	25	2⅞	24	11	17¼	9⅛	12⅛	..
U. S. Smelting, Ref. & Mining	105⅝	13½	141	96⅝	124½	92	93¾	†8
U. S. Steel Corp	67½	23⅜	59⅞	29⅜	48⅜	27½	42⅛	..
U. S. Steel Pfd	105½	53	99½	67¼	113½	73⅝	106¾	3
V								
Vanadium Corp	36¼	7⅝	31¾	14	21¾	11¼	16½	..
W								
Warner Brothers Pictures	9⅛	1	8¼	2¾	8½	2¼	6⅝	..
Western Union Tel	77¼	17¼	66⅞	29½	52½	20⅝	45¼	..
Westinghouse Air Brake	35⅝	11¾	36	15⅞	28⅛	18	21½	.50
Westinghouse Elec. & Mfg.	58¾	19⅜	47¼	27⅞	90¼	32⅝	73¼	†.50
Woolworth Co. (F. W.)	50⅞	25⅛	55¼	41¼	65¼	51	60¾	2.40
Worthington Pump & Mach	39⅞	8	31⅞	13½	21½	11¾	16	..
Wrigley (Wm., Jr.)	57¼	34½	76	54½	82¾	73¾	77	*3

* Including extra. † Paid this year.

World Faces Wheat Scarcity

(*Continued from page 647*)

utterly false may not further prevail.

There is a real story concerning agriculture, population and governmental activity, as distinguished from bureaucratic regimentation. There are really sound reasons, from certain points of view, for national attempts to foster agriculture. Of course, what the world needs is not aggravated scarcity but a greatly increased abundance of agricultural production and agriculturists who know so well how to care for themselves first and for the soil they till that the alphabetical organizations cannot get a hearing.

There are some farming communities in our country which might well serve as models.

In the meantime this writer adheres to his previously expressed idea, that barring some such court action as that which ended the career of the Blue Eagle, A A A will persist, broaden its field of control and, along with potatoes, come to superintend horse-radish, dill for pickles, and the parsley bed.

Answers to Inquiries

(*Continued from page 662*)

facture of purifying, clarifying and deodorizing materials. Sugar refining and water purification are two of the new fields recently opened to the products of Atlas Powder. For the foregoing reasons we are optimistic concerning Atlas Powder and, despite the substantial profit now available to you, we advise the maintenance of your position, at least for the time being.

TRI-CONTINENTAL CORP.

I hold 200 shares of Tri-Continental Corp. purchased at 4¼ in 1932, and while the stock has recently done better marketwise, I would appreciate your views as to its future potentialities.—B. V. W., Chicago, Ill.

Tri-Continental Corp. as you may know, was organized in 1929 as a consolidation of Tri-Continental Corp. and Tri-Continental Allied Co., Inc. The company operates as a general management type investment trust, having broad powers as to the type of securities included in its portfolio. Since the company's common stock is preceded by funded debt aggregating $7,586,900 and 295,854 shares of $6 preferred stock, the junior equity is said to be of the "leverage type." That is, its liquidating value is subject to greater fluctuations than would be the case if capitalization consisted solely of common stock. Quite obviously, this type of capitalization has its advantages and disadvantages, although with the business cycle believed to be in a major uptrend, the leverage factor may reasonably be expected to work to the advantage of stockholders. Certainly the active research department maintained by the organization has proven very much worth while during the depression years, as the trust has consistently shown better than average results in the handling of its portfolio securities. Aggregate net asset value of $37,905,890 as of December 31, 1934, had increased to $41,730,534 on June 30, last. The effect of leverage on the net asset value of the common is clearly evidenced by the fact that this increased from $1.75 a share at the close of last year to $3.32 a share on June 30, 1935. For the first half of the current year the company showed a profit of $690,124, but exclusive of $28,415 loss on the sale of securities, against $560,458 profit, exclusive of $1,438,472 loss on securities sold for the like interval a year earlier. The trend toward higher investment income seems likely to continue and the chances are that preferred dividend requirements will be nearly, if not entirely, covered this year. In addition to the company's own investments it controls several other similar organizations from which it derives management fees. In effect, these fees are a credit against operating expenses of the trust itself. For example, fees for investment service last year totalled $198,984.40, while total expenses were $358,828.21, thereby reducing the actual cost to stockholders of Tri-Continental Corp. to $159,843.81. Considering the broad scope of this investment company's operations, we feel that there is little question that given further recovery in the general market, stockholders will be amply rewarded and accordingly, we favor further retention of your holdings.

NATIONAL DAIRY PRODUCTS CORP.

Is National Dairy Products now on the way up? Are earnings sufficiently better to continue the present dividend rate? What do you see for this company in the year ahead?—K. O. Q., Madison, Wis.

The more favorable recent market action of National Dairy Products Corp. common stock can probably be attributed to the growing belief that the company will be able to earn its $1.20 a share dividend this year. If this proves to be the case, results would be the best since 1932, when $1.88 a share was reported. Last year's net income amounted to only 94 cents a share, while that for 1933 stood at $1.01 a share. True, the company, in common with its competitors, continues to be confronted with numerous problems, but improvement in the general business situation and the constant betterment of public purchasing power is proving of tangible aid to the company in the form of higher dollar sales. Thus, sales for the first 6 months of the current year totalled $139,749,170, against $129,568,398 for the like interval a year earlier, or a gain of better than 7.5%. True, costs of operations proved an offset, with the result that net income showed a small decline, but adjustments should be possible in the face of expanding sales, which will permit corresponding increases in net. Even though profits for the full year fall below present expectations, there is every reason to believe that the company's highly liquid finances would allow directors to conservatively continue the present dividend on the common stock. At the close of last year current assets, including cash alone of $21,721,489, stood at $56,683,294, against current indebtedness of only $18,142,730. Preceding the 6,263,165 shares of common stock are 98,709 shares of class "A" and "B" 7% preferred stock with a par value of $100 and roughly $68,000,000 principal amount of 5¼% debenture bonds due in 1948. Considering the concern's excellent credit position, it may be that advantage will be taken of existing low money rates to refund the currently outstanding bonds which naturally would result in a sizable saving to the company. In consideration of this possibility, together with the long-term improvement indicated in consumption and prices of dairy products handled, we feel that a constructive attitude toward the stock is warranted.

INLAND STEEL CO.

Do you believe Inland Steel prospects will bring higher prices? In view of its great improvement this year, it occurs to me that this might be the time to sell. —H. McF., St. Louis, Mo.

The recent approval by stockholders of Inland Steel Co. of the merger with Joseph T. Ryerson & Son, Inc., marks a favorable development in the affairs of both companies, bringing to Inland the benefits of the largest merchandising organization in the steel business, with important outlets in the East, whereas Inland's sales territory has heretofore been limited to an area of about 500 miles around Chicago. The Ryerson organization will have the benefit of facilities for the production

of about 75% of the products marketed. With such integration, sales should be enhanced and costs lowered to the benefit of the stockholders. Under the merger Inland will issue 59/100 of a share in exchange for each share of Ryerson outstanding, thereby increasing the outstanding stock of Inland to 1,436,000 shares upon the completion of the merger. Both Inland and Ryerson have excellent past earnings records and the addition of Ryerson's earning power to that of Inland is expected to offset very largely the dilution of per share earnings of Inland through the larger capitalization. It has been computed on the basis of 1934 earnings that profits of the merged companies would be equal to $3.14 a share, whereas Inland's earnings alone were actually $3.10 a share. Inland Steel itself earned the equivalent of $4.04 a share in the first half of 1935, a material gain over the rate of $2.69 a share for the first half of 1934, and the largest 6 months period since 1930. Dividend needs for the later period were covered more than five times. It is anticipated that the September quarter will show results comparable with the June quarter this year and if this proves true, the profit for the first 9 months of this year would top the rate of $5.41 a share earned in the whole of 1930. Inland Steel's dividend policy has been conservative, disbursements amounting to $1.50 a share up to September 3, this year, including extras. The company could well have paid more without straining its cash resources, which amounted to more than $9,000,000 as of June 30, bringing working capital close to $23,000,000, both items thus reaching the highest point since 1931. With operations recently reported at over 65% of capacity and with the automobile industry and other large Inland customers bringing improved demand for steel products, the outlook for the enlarged Inland Steel Co. is sufficiently favorable for us to advise the retention of present holdings, despite the substantial market advance already achieved.

U. S. PIPE & FOUNDRY CO.

I now have 5¾ points profit in U. S. Pipe & Foundry. I would like to know if, in your opinion, this stock still offers speculative possibilities, and if I would be justified in holding further.—B. C. D., Butte, Mont.

We feel that further retention of U. S. Pipe & Foundry will prove worth while for you. The company accounts normally for approximately 50% of the domestic requirements of cast iron pipe and its dominant position is farther enhanced by the prospects for large public works expenditures during the period ahead. This factor, taken in conjunction with an increased demand currently being built up for cast iron tile for roofing industrial buildings, in our opinion, seems to lend decided long-pull possibilities to this company's shares. While this latter phase of the company's efforts is somewhat new, the officials of the company are thinking seriously of making it a permanent part of their production, pointing out that such tiles have practically no maintenance costs, once laid, and are immune to destruction from fumes and acids and, in addition, are considerably lighter than cement tiles. Last year, the company reported a net profit amounting to $818,068, equal to 29 cents a share on the common stock, against a loss of $71,453 in 1933. For the first 6 months of 1935 earnings amounted to 25 cents a share on the common stock, whereas operations for the first 6 months last year showed a slight loss. The company has no funded debt and as of the year-end total current assets amounted to $14,032,101 and current liabilities only $1,147,553. Cash and marketable securities amounted to $8,154,862 and currently sales booked are reported to compare very favorably with those reported a year ago. It is our understanding that the company is contemplating large expenditures for new plants and the adaptation of present plants as soon as conditions warrant such expenditures. The additional business resulting from the activities of the F H A and P W A finance projects, should prove materially helpful along this line.

SHELL UNION OIL CORP.

I bought some Shell Union Oil common stock earlier this year at 10⅞. Now, I am wondering about the wisdom of my purchase. As a new subscriber, may I have your views?—J. R., Houston, Tex.

In our opinion, the common stock of Shell Union Oil has considerably more merit than might be suggested by the current low price for the shares. This company is the third largest oil unit in the United States and is one of two companies able to boast of national distribution for its products. For each of the past two years the company has been operating in the red, although for the six months ended June 30, last, the net profit amounted to $528,735, equal after charges and taxes, to $1.32 a share on 400,000 shares of 5½% cumulative convertible preferred stock. This compares with a net loss of $938,683 in the first half of 1934. During the more recent years of the depression Shell Union has been steadily reducing its heavy funded debt and by consistent purchasing of its bonds at considerable discounts, was able to cut its debt nearly 60%. The resultant saving in interest amounts to about $1,200,000 annually. Naturally, this policy has cut into working capital and there is still a funded debt of some $47,000,000, as well as preferred stock with cumulative dividends ahead of the 13,070,625 shares of common stock, the latter still removed some distance from earning power. On the other hand, the shares have definite appeal, in our opinion, as a low-priced equity in an important and in a conservatively valued property. In addition, looked at from the longer viewpoint, when the outlook for the oil industry may be greatly improved, these shares marketwise should do better. The company has one of the largest reserves of crude oil in the world and its potential crude oil outlook is more than sufficient to meet all of its requirements.

MATHIESON ALKALI WORKS, INC.

Why isn't Mathieson Alkali doing better? Do you look for any early improvement? Do you think the prospects are such as to warrant holding 150 shares averaging 36¼?—G. K., Boise, Idaho.

While we do not necessarily look for any pronounced immediate improvement in Mathieson Alkali earnings, nevertheless, we do feel that the prospects over the longer pull are sufficient to warrant retention of shares bought at higher than current levels. Through its production of caustic soda and soda ash, this company serves a wide cross-section of American industry and as a result of the company's policy of diversifying sales of products into as many industries as possible, Mathieson Alkali finds its markets among manufacturers of glass, soap, chemicals, cleansers, pulp and paper, water softeners, refined petroleums, textiles and other important products as well. In addition, since July, 1933, the company has manufactured and sold gypsum products for the building industry and for agriculture. For the first quarter of 1935 earnings of Mathieson were more than 25% ahead of those for the initial three months of 1934 and were the best, according to the company's statement, in the past five years. For the first 6 months of the current year the net income amounted to $647,853, after charges and taxes equal to 68 cents a share on 830,698 common shares, and compared with $617,424, or 67 cents a share on 795,368 shares in the first half of 1934. Current assets as of December 31, 1934, including $842,652 in cash amounted to $3,180,189 and current liabilities were $1,413,128; compared with cash of $1,119,310, current assets

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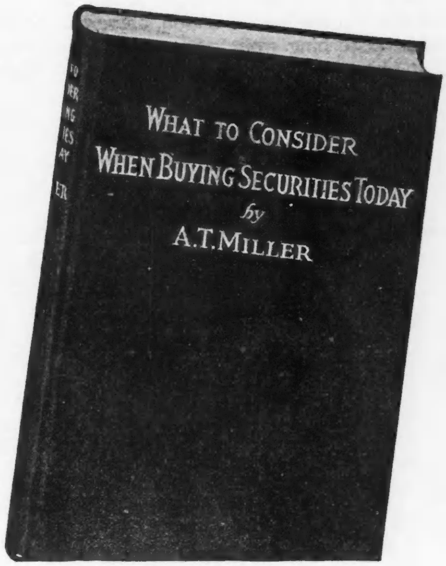

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of $3,252,965 and current liabilities of $787,067 at the end of 1933. Unlike most of the large chemical manufacturers Mathieson Alkali is an operating company rather than a holding company—the subsidiaries of which are negligible in size. In our opinion, profits for the full year should compare favorably with the $1,165,836 earned in 1934 and we see no reason, therefore, for disturbing your present holdings at this time.

AMERICAN HOME PRODUCTS CORP.

For a company paying a $2.40 dividend, I cannot understand the recent weakness in American Home Products. Is it just out of line with the market? Is there anything wrong which would suggest taking a loss on the stock I now hold?—N. T. D., Buffalo, N. Y.

American Home Products Corp. has long ranked among the leaders in the domestic drug products field, its products including a widely diversified list of medicinal and toilet compounds, as well as pharmaceuticals and other related items. Distribution is obtained mainly through the retail drug trade, but other types of stores also handle the company's products. Among the well-known advertised lines enjoying wide public demand are "BiSoDol," "Kolynos," "Hill's Cascara Quinine," "Freezone," "Jad Salts," "Petrolagar," and others. This widely diversified line tends to render the company less vulnerable than would be the case if it were largely dependent upon any one product which might conceivably meet devastating competition from some new development which happened to meet the public's fancy. In addition to the company's domestic business, it also does quite a volume abroad, amounting to some 20% of the total in terms of dollars. The competitive situation existing in the business necessitates large advertising expenditures and while these were curtailed somewhat during 1932 and 1933, the following year witnessed a decided expansion in appropriations. The company reported for the 6 months ended June 30, 1935, net profit of $621,415. That figure was after extraordinary expenses totalling $177,900, caused by changes in merchandising methods. Also $59,578 expense was incurred as a result of changed accounting methods. These extraordinary charges were largely responsible for the fact that earnings for the period totalled only 92 cents a share, as compared with $1.49 a share for the first half of 1934. With no sharp gains in advertising expenditures believed probable and with the drug trade currently registering improvement, the company's common stock, comprising sole capitalization, is believed reasonably priced.

Of course, with earnings running somewhat under dividend requirements, it is quite possible that there may be some reduction in the present $2.40 annual dividend rate, although the concern's strong finances would permit continuance of that rate for some time ahead. Even granting the possibility of a moderately lower dividend, we believe that the organization's promising longer term outlook dictates retention of its stock in your portfolio now.

Unmasking Our Silver Policy

(Continued from page 641)

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obvious that the chief profit goes to the foreigners who sell the silver we are buying, including speculators all along the line from China and Japan to London and Montreal. (American speculators are virtually eliminated by the 50 per cent tax on silver profits.) Of the 471,909,900 ounces purchased during the thirteen months ended July 31, 1935, less than 33,600,000 was newly-mined American silver. Some 326,000,000 ounces was bought abroad by the Government and of the 112,000,000 ounces of silver nationalized on August 9, 1934, most represented accumulations of imported metal. It is easy to see that foreigners get most of the profits. The small sum distributed to American producers cannot make a ripple on the surface of the economic depression.

Effects Abroad

(5) Advocates of silver used to be very definite in the claim that our exports would be aided by an increase in the price of silver, since such increase would raise the exchange value of the currency of silver-standard China. (Some leading Senators in addressing the Congressional Record included also India, Mexico, Australia, New Zealand, South America, etc.) Actual purchases of foreign silver do add to foreigners' purchasing power. But, if our Chinese friends refuse to see the point and to send us their silver, there remains only the disturbing inconvenience of an artificially-raised rate of exchange on China, in turn only moderately "ameliorated" by the vexatious outflow from China of smuggled silver currency. When silver and Chinese exchange were declining in 1930-32 Chinese exports to us fell off, even when measured in depreciated silver! Yet when our silver purchases got in full swing, our merchandise purchases from China increased, and our exports to China declined, even in terms of appreciating silver currency! All this simply demonstrates anew that the purchasing power of a country like China is influenced by many political and economic factors, the exchange rate being well down the list.

Our export trade with Mexico is no doubt stimulated by our silver policy, for Mexico—being a silver producer—has its purchasing power increased by the expanded price and market for its silver offered by this country. Our sales to Canada, also, should benefit moderately.

Our imports, on the other hand, are in no way benefited by our silver purchases abroad.

(6) Gold imports are closely related to our balance of international payments. They result from a demand for dollars, e.g., to settle merchandise or business accounts, to pay for "invisible" exports, or as a result of capital movements. When we buy silver in London or Mexico we make dollars available on the exchange markets and thus tend to diminish the shipment of gold to the U. S. A. Thus, American policy *tends* to bring Oriental and Mexican silver to the aid of gold-drained countries in the Occident. Moreover, the substitution of silver for some gold in our bullion imports is less potentially inflationary than would be the importation of additional gold and its inclusion in the excess reserves of the Federal Reserve system. Such a tendency is, however, actually minor in effect when compared with our enormous gold imports.

(7) The exchange value of the dollar is kept within its new gold points by the willingness of the Government to buy all gold offered at $35 per ounce and, at present, to permit the exportation of gold to gold-standard countries at the same ratio. So long as this condition exists, it is academic to discuss "whether our silver purchases

U. S. Paper Currency Outstanding

(in millions of dollars)

	Item	End of May, 1934	End of August, 1935
(1)	All currency*	6,630	5,893
(2)	All silver certificates	498	860
(3)	$5 and $10 silver certificates†	10	345
(4)	All other $5 and $10 notes ‡	2,322	2,057

* Includes silver certificates. † Included in items 1 and 2. ‡ Included in item 1.

abroad have kept our dollar from going to excessive levels," as some have claimed. The purchases have neither raised nor lowered the value of the dollar in terms of gold or sterling currencies, and the latter have supplied relatively little of the silver we have imported. Only in the case of China and Hong Kong can we say that the silver policy has depressed our dollar; it did so by raising the yuan and the Hong Kong dollar in terms of American currency.

But, in another sense, we have tended to "cheapen" the dollar: (a) by buying several hundred million ounces of silver no one else would bid for, and (b) by paying for it an artificial price, thus making more dollars available to some foreigners than they could otherwise have obtained. This policy for the United States is in a class with devaluation of the dollar. We could accomplish the same and better results by lowering our tariffs. If we carry out our silver purchases to the degree required by the Silver Purchase Act we will have given foreigners hundreds of millions of dollars (or the goods and services they purchase therewith) for a cumbersome mass of again depreciated silver. Like an insect climbing a blade of grass, we'll find ourselves once more with our feet on the ground, minus much real wealth, and holding in its place unsalable metal.

Scrap Silver Policy

It would be to the best interests of the country to scrap the entire silver policy as soon as possible, without undue disturbance to world exchanges and to the price of silver. As a stimulant to American exports the program has proven to be a mirage. It has already caused annoyance and disturbance in China, Hong Kong, Mexico, Peru, Central America, Chile, Colombia, Iran, and other countries. It has driven from the silver standard the only important country which still employed it. It has weakened foreign confidence in the dollar, envoked excoriating ridicule in staid, conservative economic journals like the London Economist, made us a laughing stock in financial circles everywhere, postponed the prospects of currency stabilization, and lost us—to the benefit of the Japanese and Europeans—much of the prestige and good will which it took years of cultivation and millions in eleemosynary expenditures to develop in China. The questionable benefits attributed to the policy either are non-existent or can be attained in better ways. It is an anachronistic excrescence on our monetary system, conceived by selfish interests, nurtured by the depression, and midwived in Congress amidst old-fashioned log-rolling politics.

How Good Are the Coppers?

(*Continued from page* 651)

holders—speculative and otherwise—to break the market.

The risk involved in an untenable rise is well known to the producers, since the largest own fabricating units, the business and profits of which are always adversely affected when a price cut in the raw material plays hob with inventories accumulated at the preceding higher figure.

The only reason for a further markup in the domestic price at present is the fact that the foreign price at 9.05 cents has advanced above it, a very unusual relationship. How long this factor would support a higher domestic price would depend entirely on war developments beyond forecast. If the war clouds pass without having precipitated more than a colonial storm in Africa, the foreign copper market could easily find itself in a speculative position.

In this year's consumption of the metal, the remarkable recovery of the automobile industry has been the biggest source of gain. The present outlook is for a fourth quarter motor production of somewhere between 650,000 and 750,000 units, due to the two-month advance in timing of 1936 models. This special circumstance will stand the copper industry in good stead. On the other hand, electrical equipment, public utilities and building normally account for more than half of all copper consumption in this country, and their recovery will not be rapid.

Construction, of course, is on the way back from a very low base and no doubt will take increased copper next year, the present seasonal demand being downward. Normal demand from this source, however, will also be deferred beyond 1936, in our opinion.

In summary, the longer outlook is good. It would certainly not be impossible for copper in a year or two to get back to a price around 12 or 13 cents, given continuation of the present trends of demand. It would not be impossible for domestic consumption next year to get back to 550,000 or 600,000 tons or from 50% to 60% of the 1929 level. With European consumption now at a new high, it would not be impossible for the total world consumption in 1936 to mount to 80% or 85% of the 1929 level.

Looking, say, three months ahead, however, one can only conclude that copper shares have discounted their future rather generously and that the speculative cream in these equities—barring war—has been fairly well skimmed off for the time being.

Getting Ten Millions Back to Work

(*Continued from page* 636)

mechanized and the pressure for ever lower unit costs puts a premium on steadily increasing machine efficiency. Surely, this in theory, should be a sore spot of unemployment. Instead, the Department of Labor's employment index for textiles and textile products in August was 92.8 per cent of the 1923-1925 average and the payroll index was 78.5 per cent. Since payrolls are reported in dollars, we must again add 20 per cent for comparison with 1923-1925 payrolls, and thus the August payroll figure becomes 94.2 per cent of normal. Moreover, these figures do not reflect the current improvement in textiles, with gathered momentum in September. September and October indexes of employment and payrolls will make a still better showing.

On the other side of the picture, the largest single group of the unemployed in this country owe their unemployment directly or indirectly to acute de-

MARKET STATISTICS

	N. Y. Times	—Dow, Jones Avgs.—		—N. Y. Times 50 Stocks—		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Monday, September 23	81.64	129.55	35.23	105.68	104.43	1,008,240
Tuesday, September 24	81.74	131.02	35.17	106.06	104.89	1,009,110
Wednesday, September 25	81.91	131.52	35.45	106.58	105.39	1,093,730
Thursday, September 26	81.79	131.06	35.30	106.09	104.83	1,090,700
Friday, September 27	81.82	131.48	35.28	106.18	105.13	1,122,770
Saturday, September 28	81.82	131.75	35.32	106.15	105.76	519,020
Monday, September 30	81.64	131.92	34.93	106.59	105.14	1,257,230
Tuesday, October 1	81.56	131.51	34.16	107.06	105.04	1,422,460
Wednesday, October 2	80.81	128.06	32.61	104.50	102.18	2,189,600
Thursday, October 3	80.86	129.05	32.78	103.81	101.67	1,484,880
Friday, October 4	80.76	129.76	32.54	104.78	103.36	1,419,640
Saturday, October 5	80.91	130.35	32.73	104.47	103.82	697,190

pression in construction, which, although gradually improving, is now not much better than 25 or 30 per cent of normal. Of all major industries, construction is the least mechanized, the most dependent on handicraft operations.

Next to construction, unemployment is most serious in certain of the heavy industries dependent on the demand for capital goods, notably in iron, steel, electrical machinery and equipment, etc. True, these are mechanized industries but men are not working in them in normal numbers simply because their machines lack sufficient current demand to be normally employed. Employment in iron and steel in August was 73.4 per cent of the 1923-1925 average and payrolls, adjusted to the current value of the dollar, were 72.4 per cent or very closely in line with employment. In that month the steel industry operated at only 48.84 per cent of capacity. Thus, depressed production, rather than machines, explains depressed employment.

Precisely the same cause—depressed demand and production—accounts for an August employment of only 70.5 of the 1923-1925 average in electrical machinery and equipment; of 51.8 per cent in cast-iron pipe; of 48.5 per cent in hardware; of 58 per cent in forgings; of 32.7 per cent in railroad cars; of 21.5 per cent in locomotives; of 55.3 per cent in cement; of 33.8 per cent in brick and tile.

In summary, the proof is conclusive that continuing depression in several of the most important elements of our aggregate economic structure—rather than mechanization—is responsible for the great bulk of our unemployment. Add the fact that foreign trade is fully 50 per cent under what it was in 1923-1925, and allow for the hundreds of thousands of service workers who have lost jobs on the railroads, in offices, factories and stores and elsewhere because of the total effect of depression in construction, heavy industry and foreign trade—and you have the true reason why nearly 10,000,000 individuals are still unemployed. Conversely, these three fields—construction, heavy industry and foreign trade—hold the key to any possible reduction of unemployment to normal proportions in the years immediately ahead.

What are the normal proportions of unemployment under the best of conditions? The estimates of the National Bureau of Economic Research show it to have averaged 2,131,000 for the six years 1922-1927. Unemployment today, therefore, is from some 7,500,000 to 8,500,000 above normal, depending upon the estimate used.

As for the apparent disproportion between re-employment and the business gains of the past year—take automobile production for this period out of your business index and you will have very little gain left. In other words, the biggest part of the business gain of the past year has been where unemployment was not serious. Construction, heavy industry and foreign trade have improved, but not enough to solve the problem.

The picture is not without hope. All manufacturing employment in August was at 81.7 of the 1923-1925 average, against 79.5 a year before; and payrolls were up from 62.2 to 69.7. Moreover, the largest gain was in durable goods, with employment up from 66.1 to 70.4, and payrolls up from 50 to 59.1. Machine tool employment showed an advance from 66.1 to 91.9. Agricultural implements showed an employment gain from 66.8 to 117.8.

Finally, reflecting the continuing influence of invention and technological progress that goes on depression or no depression, one finds employment in aircraft at 450.8 per cent of the 1923-1925 average; in the radio industry at 214 per cent and at 107.7 per cent in chemicals.

Can business solve the unemployment problem? It always has. It will do it again—and the more the political witch doctors let it alone the faster it will do it. Meanwhile the most helpful thing the New Deal could do would be to declare the recent promised "breathing spell" to be permanent and to lessen the fear of fiscal disaster ahead by putting its relief program on a basis both less chaotic and less wasteful. To this end, looking the facts in the face and pocketing an utterly false pride, next year should take us to a dole, frank and unashamed. Pending an apparently assured economic recovery, it is the only practical stop-gap.

Automobile Sales and Profits

(Continued from page 644)

have been sold, the increasing number of agents, smaller territories with the resulting competition, plus losses sustained in handling traded-in cars has made the year so far much less profitable for the dealer than for the manufacturer.

There is one important feature of the outlook for next year which may confidently expected to run true to form. That is competition. Not only does competition between the three leading manufacturers—General Motors, Ford and Chrysler—promise to be as intensive as ever but there is every indication that there will be plenty of sales fireworks afforded by battles waged right in the ranks of General Motors and Chrysler. Further, the competitive duel promises to be enlivened by the increasing boldness of independent manufacturers.

Drawing courage from the fact that the production of medium priced cars scored the largest gain in the first eight months of 1935 and that some of the most conspicuous sales gains were made in the medium priced group, several of the independents are spending more money and planning more ambitious sales campaigns than at any time since the depression. For this reason, it appears likely that the products of the independents will supply most of the more notable changes when new models make their appearance. Although plans are carefully guarded, there has been no hint of any marked change in the models of the Big Three, and such changes as are now indicated will be confined to various interior and mechanical refinements.

If the competitive race promises to be hotly contested all along the line, it does not, however, seem likely to reach the stage of resorting to price-cutting tactics. Thus far there has been only one important reduction in prices announced for 1936 models. The new 1936 line of Buicks recently displayed by General Motors is priced from $40 to $385 lower, a move apparently designed to restore the prestige of Buick, which in the first six months of this year registered a sales gain of less than 10 per cent. In maintaining the status quo of prices, the industry not only doubtless felt that the marked gain in the sale of cars priced in the higher brackets indicated that the public was less price conscious, but was also prompted by the desire to safeguard profit margins.

The cost of the principal raw materials entering into the manufacture of automobiles, such as steel, lead, zinc, tin, rubber, etc., is practically unchanged from a year ago, although manufacturers have purchased liberally to protect themselves against any rise later next year. Wages, on the other hand, are up about 15 per cent from a year ago and this also holds true for the manufacturers of equipment and supplies. Taxes are substantially higher. On the whole the factors, on the manufacturing side, which largely determine wholesale and retail prices would appear to be definitely against any considerable reduction the price of 1936 models. Of equal, if not greater, importance in determining profit margins is the volume of production and if nothing develops to mar the glowing outlook, it is not likely that leading companies, at least, will be compelled to slash prices in order to swell output.

It should be borne in mind that in 1936 the industry will have the bene-

fit of a full twelve-month year, whereas, the change in the automobile season shortly to be effected will cut the current year to ten months. This means that next year the industry will be able to amortize such costs as retooling, depreciation, etc., over a longer period and a larger number of cars, with a resultant benefit to profit margins.

In reducing 1936 prospects to terms of individual manufacturers, frankly there is scant basis for believing that the leadership of Ford, General Motors and Chrysler will be seriously challenged. It is, of course, quite likely that certain of the independents will gain ground but when the complete score is tallied a year hence, it is practically a foregone conclusion that leadership will be unchanged from what it is today. In the first eight months of this year, independent companies accounted for only 8 per cent of new car registrations, while General Motors was credited with 35.9 per cent, Ford 32.3 per cent and Chrysler 23.7 per cent. Obviously, it would be possible for the independents to enlarge their portion of total sales without, however, jeopardizing the marked advantage now held by the Big Three.

What is more conceivable is some shifting in the proportion of the market which has been garnered by the leaders. The past year has been featured by the recapture by Ford of first place in sales, held by Chevrolet since 1931. In the first eight months, Ford sold around 765,000 cars and trucks, compared with about 575,000 for Chevrolet and in nine months Ford made the million cars which it set for its 1935 goal. This year, however, Ford gained a telling advantage over Chevrolet by having new models in dealers' hands some time ahead of Chevrolet. In the 1936 race, however, it is probable that both companies will start from scratch. Only changes of a more or less minor nature are contemplated by Ford and thus far there have been no indications of any radical changes in the Chevrolet, although it has been rumored that 1936 models will be equipped with hydraulic brakes. That Henry Ford will relinquish first place only after a desperate struggle, is clearly indicated by a production schedule which indicates a goal of 6,000 units a day to be continued through the winter. Apparently Ford will strive to attain a figure of 1,500,000 units for 1936.

This year Plymouth, which has been an aggressive contender for first place honor since 1931, lost some share of the market but it lost less than Chevrolet and the sales gains scored by Plymouth having been much more striking than Chevrolet's. Chrysler will undoubtedly continue to emphasize Plymouth, and also Dodge which registered a very sharp gain in sales this year, but late reports are that Chrysler is planning an aggressive campaign to increase the sales of its DeSoto models —the "weak sister" in the Chrysler group.

From all indications a battle next year second only to that in the lowest price class will be waged in the medium price class. Envious of the success enjoyed by the Pontiac and Oldsmobile, to say nothing of the new medium priced Packards, such independents as Studebaker, Nash, Hudson and Auburn, realizing that the medium priced field is the one best adapted to their competitive ability, are planning to make an intensive drive to obtain a larger share of this division. General Motors will continue its policy of "dog eat dog" with its various divisions competing with each other in overlapping price groups, on the theory that regardless of whether a Buick, Oldsmobile or Pontiac is sold, it is one less buyer of a competitive car. Chrysler is likewise well represented in the medium price class with its Dodge, DeSoto and lower priced Chrysler. Ford is, according to all reports, all set to bring out a new car, possibly a light Lincoln, to sell for around $1100. Auburn, bidding for publicity, will offer a Diesel-powered car and a new front drive Cord.

To make any forecast in terms of probable earnings, out of this hurly burly of competition, is impossible. While both Chrysler and General Motors have every opportunity to do as well, if not better, in 1936 as they have this year, earnings of individual companies in the independent group are a highly uncertain quantity. Profits will be determined by volume and any sizable increase in volume may be hard for any individual independent to obtain.

For the industry as a whole, however, it is clearly evident that it is convinced in the permanence of the recovery and has the courage of its convictions to back them with millions of dollars not only for new models, advertising and promotion but it is contributing to the revival by spending huge sums in plant construction and rehabilitation. The industry richly deserves to reap its rewards. What and how much they will be remains to be seen, but taken as a whole, the fall and 1936 prospects for the motor industry definitely permit it to be counted among those most favorably situated at this time.

It naturally follows that what is true of the outlook for the automobile industry is also true for the leading makers of parts and equipment. With the earlier introduction of new models, earnings of this group in the final quarter should compare favorably with results achieved in the first and second quarters. According to reliable reports all contracts which have been closed for 1936 have been made at prices virtually unchanged from this year, and with little reason to anticipate any labor disturbances, equipment makers having contracts with the leading motor car manufacturers should have little difficulty in duplicating, or even improving, the brilliant showing which many of them will make for 1935—the best in many instances since 1929.

Briggs Manufacturing, which furnishes the principal body requirements of Ford and Chrysler, is particularly well situated. Borg Warner has retained all of its important contracts and business volume will be enlarged next year by the wider adoption of the over-drive. Earnings of Electric Auto-Lite would be aided materially by new contracts recently made with Chrysler Corp. and the L. A. Young Spring & Wire Co., has renewed all of its former contracts. Both Libbey-Owens-Ford and Pittsburgh Plate Glass Co. will benefit by the increased use of safety glass, although both companies will suffer a loss of Ford business, as Ford plans to manufacture a large part of his requirements. Bendix should show a larger volume with the increased use of hydraulic brakes, while the increased use of aluminum pistons and cylinder heads should find favorable reflection in the earnings of both Bohn Aluminum and Aluminum Co. Such companies as Eaton Mfg., Timken Roller Bearing, Motor Products, Houdaille-Hershey and Bower Roller Bearing are well situated to give a favorable account of themselves in the coming year. New contracts with several General Motors units promise an important enlargement in the business of Doehler Die.

Jones & Laughlin, Pfd.

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or nothing actually earned on the preferred shares. This prospect, of course, may be altered somewhat by the favorable outlook forecast for the industry in the final quarter of the year. The president of the U. S. Steel Corp. has estimated that the total production of steel ingots by the industry this year will reach 32 million tons. This would compare with around 25,600,000 tons for 1934 and would mean that output in the last four months would total 11,000,000 tons.

It would require no considerable further improvement in the industry to restore operations of Jones & Laughlin

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1935 Price Range High	Low	Recent Price
Alum. Co. of Amer.	82½	32	75
Amer. Cyanamid B (.40)	25⅛	15	22⅞
Amer. Gas & Elec. (*1.40)	39⅛	16⅝	33½
Amer. Lt. & Tr. (1.20)	16½	7⅝	12⅜
Amer. Superpower	3¼	½	1⅝
Assoc. Gas Elec. "A"	2⅛	¼	¾
Atlas Corp. (†.30)	13¾	7⅜	11⅛
Cities Service	2⅞	¾	1⅝
Cities Service Pfd	27⅝	6⅛	17¼
Colum. G. & E. cv. Pfd. (5)	89	32	87
Commonwealth Edison (4)	94	47¼	88
Consol. Gas Balt. (3.60)	89¾	52⅝	80½
Cord Corp	5	2⅛	4
Crane Co	17½	7	14¾
Creole Petroleum	23½	10	21¾
Distillers Cp. Seag	28⅜	13⅝	24⅜
Elec. Bond & Share	20⅜	3½	11⅝
Elec. Bond & Share Pfd. (6)	78	37½	61⅝
Elec. Pr. Assoc. A	6⅝	2¼	4½
Fisk Rubber	11¼	5	5½
Ford Mot. of Can. "A" (1¼)	32⅛	23⅝	24¼
Ford Motor, Ltd. (.10)	9¼	7⅛	7½
General Tire	71½	34⅞	35
Glen Alden Coal (*1)	24	13⅝	21
Great A. & P. Tea N.-V. (*6)	140	121	127½
Gulf Oil of Pa	74¾	50¼	60¾
Hudson Bay M. & S.	19	11½	18¾
Humble Oil (1)	64	44	52⅝
Imperial Oil (*.50)	22½	15⅞	18½
Lake Shore Mines (*4)	58	46	46⅞
Mead-Johnson & Co. (*3)	82¼	55	80
National Sugar Ref. (2)	35	22¾	22¾
Niagara Hudson Pwr	8¾	2½	7¼
Novadel-Agene (2)	31½	18¾	28⅛
Pan-Amer. Airways (1)	44¼	36	37
Pepperel Mfg. (3)	89½	52¾	62
Pitts. Pl. Glass (*2)	81¾	46¾	78
Sherwin-Williams (4)	112	84	110⅛
South Penn Oil (1.40)	28⅜	21⅝	24⅞
Swift Int'l (2)	36¼	27⅜	29¼
United Founders	1⅛	¼	⅞
United Lt. & Pwr. A	3½	⅝	1¾
United Shoe Mach. (*2½)	85½	70	83½
Walker Hiram H. W.	32⅝	23	24⅛

* Includes extras. † Paid this year.

to a profitable basis and thus hasten the time when the resumption of preferred dividends would become a live possibility. Further, the company's excellent financial position offers ample assurance that directors would be under no compulsion to delay restoration of dividends, either in full or in part, in order to build up cash reserves.

Obviously, the primary appeal of Jones & Laughlin preferred is to the investor in a position to forego an immediate return. But should the promise of sustained and broader recovery in the heavier industries over the next twelve months be borne out, the ultimate return on Jones & Laughlin preferred, both in the form of dividends and price appreciation should adequately compensate for the required patience. The shares currently quoted around 77 have sold as high as 84¾ and as low as 50 this year.

How War Will Affect Us

(*Continued from page* 631)

with warring nations in 1914-16, particularly the United Kingdom. At times it was a good guess that if we got into the war over trade questions it would be against Britain, although all the substantial, as well as emotional considerations were in the opposite direction. British trade was better than German trade.

We demanded the right to both; but for fear we might lose both, we endured British tyranny of the seas. Now we know that we could have had both, within some limits; for it has been revealed that the British would have let down their blockade of Germany rather than risk being themselves cut off from our money, ships and goods.

In the World War we enjoyed a magnificent trade with the belligerents, mostly the Allies, because we financed the trade. We lent the Allies or their nationals money with which to buy our products. Had we not done that they would soon have been without buying ability. The Germans had a legal chance at our trade, but it didn't amount to much because they were not able to move the goods they might buy here—the combing of the ocean by Allied cruisers and the blockades of their ports were too much for them to overcome.

There is nothing in the 1935 neutrality resolution to keep any nation from financing itself here. But by law no government which has welched on its world war debts may borrow in this country. That counts Italy out, and also England, France, et al. Germany would be out, too. Japan would be in. Nationals of any nation might borrow here, but could they? Certainly not if the Administration frowned,—and not in huge amounts in any event. It would frown at Italian loans; it would not frown, probably, at borrowing by the nationals of League countries. But if the international cauldron is to boil down to a case of Italy against the world, the League policemen will need to buy and borrow but little—their job will be easy and cheap. In the meantime, however, every possible belligerent will be in the market for whatever we will sell and it can buy. Preparation for war will be rampant, and we ourselves will rush the upbuilding of the Navy and the mechanization and remunitioning of the Army. An inflation kick-off may be incubating.

Pending the possible spread of the Italo-Ethiopian conflict, apprehensive precautions will lead menaced nations to make preparations for a dire event. Supplies of food and industrial materials and equipment will be laid in. A considerable increase of our export trade will follow, but nothing like that of the World War—even if a wider war should follow. The nations are more self-contained than then and besides they have few assets which they can convert into American dollars and scant opportunity for credit here. The total amount of our stocks and bonds held abroad is not sufficient to precipitate a crisis, should it be unloaded here to get cash; although already there has been a flight of capital to this country of moderate proportions. But warned by the lesson of 1914 (closed stock exchanges, stagnant trade) there is a fear complex in our situation. The pace of domestic recovery is being retarded, securities are hesitant, and the banks are tightening their credits to the extent that an already taut condition could be tightened.

Our Policy Defined

Should eventualities result in virtual non-intercourse with much of the world we would be thrown back into the depths of depression. On this point, however, it is possible to speak with assurance as regards the policy of the Administration. It is pacific but not pacificistic. We will not deliberately commit commercial suicide for fear of a remote possibility of being drawn into war. Warring nations may destroy our trade with impunity, but we will not do the job for them. There is, however, an immense pacifistic sentiment in this country, which may persuade Congress to extend the scope of the present neutrality resolution to such a degree that we shall interdict even trade that is now lawful, in order to quarantine provocative incidents and war-profit motives.

The judgment of the authorities at Washington is, however, that such a course will not be up for decision. Their view is that while the war between Italy and Ethiopia is enigmatic it will not spread to other nations—that military sanction will not be applied at once, if at all, by League nations; although they recognize possibilities of explosive incidents arising from economic sanctions and the close proximity of the armadas of Italy and England.

But war is infectious, contagious, unpredictable in its train of events. The more we strive to stay out of it, the more we may be in danger of getting into it.

As I See It

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cry that Fascism must end. Germany negotiates under cover for an Austrian alliance on one border and casts covetous eyes on Memel in another. The Jap may at any time resume his land grabbing proclivities in the Far East.

Colonial war or world war? Who holds the answer to such a fearsome riddle?

Happening in Washington

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a term that will make a lot of history. Don't be cocksure that the New Deal will suffer defeat all along the line. Considered here that the Court will not knock out processing taxes, thus saving A A A. Security legislation will probably be saved by suspension of taxes levied on payrolls. Forecast is that the Guffey Coal Law will go into the discard and that cotton and tobacco control will be eradicated.

Hoover's speech at Oakland conclave of Republicans is lauded to the skies by his friends and admirers. Borah is considered outstanding selection for Republican nomination for President, but private talk among Republican leaders assembled here recently revealed a considerable feeling that eventually there may be an emotional as well as a rational turning toward Hoover. A friend of the sage of Palo Alto says that every Republican who turns from Roosevelt back to the G. O. P. feels a certain measure of "recompensatory remorse" for his desertion of Hoover in 1932 in view of what has happened since. Sincerity of Hoover's campaign to bring the country back to its own first principles, without thought as to his personal fate will serve him better than any possible strategy of his friends. Hoover simply waits, fatalistically. "He is destined to receive vindication by the route of personal reward—or he is not. What is to happen is already written in the psychology of the nation, in the precasted mold of events and by the slant of public opinion."

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